ANNUAL REPORT

2010 – 2011

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Letter from the Chair

When the first members of OLG's new Board of Directors were appointed in February 2010, we took on a tremendous responsibility. The six of us became the custodians of arguably the greatest business operation our Provincial Government - and, for that matter, perhaps any government in Canada - oversees. As you'll read in this report, OLG's 18,000 direct and indirect employees worked proudly to generate nearly $7 billion in revenue this past year. That figure puts OLG among the top 60 companies in all of Canada. The profits from OLG's activities go to provincial priorities like hospitals, schools, charities, amateur sport and culture. This annual investment is currently on the order of $2 billion, with a total of $34 billion since 1975.

But the Board, which expanded to include an additional six equally distinguished directors in September, believes OLG is capable of more. Greater results, greater efficiency and greater value are all achievable.

With that in mind, this Board, which would stack up in its skills and experience with any other in Canada, dedicated itself to driving transformation through the agency. Change began at the top. A newly streamlined executive structure was identified, as were capable individuals to fill three of the key roles at its core. At the time of the printing of this report, OLG had recently hired Rod Phillips as its new President and CEO. Mr. Phillips brings a wealth of experience from the private and public sectors to the role, the exact qualifications the search committee was looking for. Mr. Phillips will be supported by Tom Marinelli, a longtime OLG employee, now moving into the role of Executive Vice President, Chief Transformation Officer and Chief Information Officer after serving so capably as the Acting CEO. Preet Dhindsa, who came to OLG in the past year on an outside contract, has shed his "interim" label and has been appointed Executive Vice President, Chief Administrative Officer and Chief Financial Officer.

Together, this new team will lead OLG into the future, meeting both the needs of a renewed mandate from Government and the heightened expectations of a highly engaged Board. Our shareholder asked OLG to undertake detailed strategic reviews of its lines of business to determine the best future state of gaming in the province. At the same time, OLG has been encouraged to move forward with an expanded electronic bingo program, bringing much-needed support to charities across Ontario. Finally, and perhaps most importantly, OLG is set to launch its Internet Gaming platform in 2012. While we are entering a new frontier for OLG, we are in no way breaking new ground with our proposed Internet offering. Studies indicate Ontario residents are already spending close to half a billion dollars annually outside the province on existing online gaming sites.

In the year ahead, OLG needs to come to understand both the threats and the opportunities created by new technology. The gaming industry is undergoing rapid and profound change, primarily due to the growing popularity of Internet Gaming among tech-savvy young people. New platforms have emerged, as have new types of gaming activities in both 'play for free' and 'play for money' varieties. OLG needs to ensure its own platform and IT systems are leading-edge, so as to seize the opportunity to tap into this growing market now and into the future.

Our Internet offering will be overseen throughout its development and implementation by the Board's newly established Social Responsibility Committee. OLG is determined to set a new global standard for safe, secure and responsible online play. This committee will guide management in driving towards that goal.

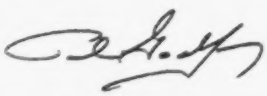
This activist Board has also struck another entirely new committee, above and beyond past norms. The Budget and Finance Committee will work closely

with management to improve planning and budgeting processes, drive value creation and, above all, establish key financial metrics to properly measure the corporation's efforts. In next year's edition of this report, a scorecard will be included that will make it easier for our valued stakeholders to track our progress against key objectives.

Greater economic returns can be achieved not only by driving new revenue but also by looking at the agency from a zero-based budget (or bottom-up) point of view, examining all business processes and eliminating duplication and waste. This committee will play a key role in those efforts, as the Board and management seek to maximize cash flows to the province, municipalities, charities and other stakeholders.

In the past year, much progress has been made. The confidence of the public in OLG and our own employee morale have both risen - not coincidentally, in my estimation. Relations and the degree of cooperation have improved significantly between the agency and, respectively, government, its parent ministry, the Ministry of Finance, and with its regulator, the Alcohol and Gaming Commission of Ontario (AGCO). Rather than being called out for criticism, OLG has instead been hailed publicly with awards and international acclaim for its work in fields like data analytics, facial recognition and responsible gaming.

That being said, there is still much work to be done. We are not perfect, far from it. But we are moving in a positive direction towards a place among the most well-run and efficient gaming organizations, not just in Canada or North America but globally. With the exemplary leadership of a newly restructured executive suite, the wisdom of a Board determined to enhance management and operational effectiveness and the continued commitment, devotion and customer-oriented efforts of 18,000 great employees, we will most certainly get there.



Paul V. Godfrey
Chair, Board of Directors

Board of Directors

Paul Godfrey *(Chair)*	February 18, 2010 - February 17, 2015
Shirley Hoy	February 18, 2010 - February 17, 2012
Dale Lastman	February 18, 2010 - February 17, 2012
Anthony Melman	February 18, 2010 - February 17, 2012
Thomas O'Brien	February 18, 2010 - February 17, 2012
William Swirsky	February 18, 2010 - February 17, 2012
Ron Carinci	September 15, 2010 - September 14, 2012
Jan Westcott	September 15, 2010 - September 14, 2012
Charlotte Burke	September 29, 2010 - September 28, 2012
Victoria Chiappetta	September 29, 2010 - September 28, 2012
Jason Melbourne	September 29, 2010 - September 28, 2012
Monique Wilberg	September 29, 2010 - September 28, 2012

Executive Management

For the 2011 fiscal year, senior executive members responsible for day-to-day operations were:

Thomas Marinelli
Senior Vice President and Chief Information Officer
(through June 30, 2010)
Acting Chief Executive Officer
(effective July 1, 2010)

Preet Dhindsa
Executive Vice President, Chief Administrative Officer and Chief Financial Officer
(effective January 4, 2011)

Bohodar Rubashewsky
Interim Chief Executive Officer
(through June 30, 2010)

Nick Bako
Chief Risk Officer
(through April 8, 2010)

Walter Fioravanti
Senior Vice President, General Counsel and Corporate Secretary
(effective November 1, 2010)

Larry Flynn
Senior Vice President, Gaming

Ella Kila
Acting Vice President, Internal Audit and Enterprise Risk Management
(effective April 7, 2010)

John Black
Chief Financial Officer
(through April 8, 2010)

Lenna Bradburn
Chief Security and Compliance Officer
(through January 7, 2011)

David Kurdyla
Acting Chief Information Officer
(effective July 1, 2010)

Greg McKenzie
Senior Vice President, Lottery

Rob Moore
Senior Vice President, Marketing, Communications and Stakeholder Relations

Richard Campbell
Senior Vice President, Human Resources
(through July 22, 2010)

Christopher Ginther
Senior Vice President, Legal, General Counsel and Corporate Secretary
(through October 31, 2010)

Overview

Ontario Lottery and Gaming Corporation (OLG or the Corporation) and its contract management companies employ more than 18,000 people across Ontario. It is responsible for 27 gaming sites as well as the sale of lottery products at approximately 10,000 retail locations.

An Operational Enterprise Agency created by the Government of Ontario, the Corporation is intended to provide gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from lotteries, casinos and slots at racetracks be made available to the Government of Ontario for various purposes, including the provision of health care and the promotion and development of physical fitness, sport, recreation and cultural activities throughout the province. Revenues are also made available to the Ontario Trillium Foundation by the Government for distribution to charitable and not-for-profit organizations every year. The amount directed to the Foundation in fiscal 2011 totalled $120 million.

CORPORATE MISSION

OLG's corporate mission guides employees in their work with customers and stakeholders. In all we do, we are asked to reflect on our purpose, realize our vision and embody clearly identified values.

Purpose

Make life better for people across Ontario – by generating revenue provincially and economic and social benefits locally.

Vision

Be the role model for gaming entertainment worldwide – by creating excitement and possibility for customers and generating economic return, while upholding the public's best interest.

Values

Act with integrity – by doing the "right thing," balancing what our customers and business partners ask of us with what the people of Ontario expect of us.

Respect our customers, employees, partners and the people of Ontario – by listening openly and honestly to the diversity of people and ideas around us.

Be accountable – by accepting the responsibility of setting and attaining high standards for ourselves in serving our customers and acting in the public interest.

Governance

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999*. Classified as an Operational Enterprise Agency, OLG has a single shareholder, the Government of Ontario, and for fiscal 2011, reported through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor members of the Board are full-time, nor are they members of management.

BOARD MANDATE

The Board of Directors establishes policies for the Corporation and counsels the Chief Executive Officer and senior executives, who oversee the Corporation's business operations. The Board's mandate is to direct management's focus to optimizing the Corporation's overall performance and increasing shareholder value by executing its various responsibilities:

- to establish a well-defined strategic planning process, setting strategic direction
- to approve the annual business plan as well as operating and capital budgets
- to define and assess business risks
- to review the adequacy and effectiveness of internal controls in managing risks
- to appraise the performance of the Chief Executive Officer
- to oversee a code of conduct to ensure the highest standards in dealing with customers, suppliers and staff, with due regard to ethical values and the interests of the community at large in all corporate endeavours
- to track the overall performance of the Corporation
- to remain informed and provide input as required concerning communications with the Government of Ontario and other stakeholders
- to ensure compliance with key policies, laws and regulations.

BOARD COMMITTEES

The OLG Board of Directors operates through five permanent working committees.

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating Committee assists the Board in developing and monitoring governance policies and practices. It helps identify policy areas for review and presents recommendations to the Board for consideration in order that the Board may ensure the Corporation's adherence to the highest standards in corporate governance. The committee also identifies individuals qualified to become directors, consistent with core competencies approved by the Board. Chair of this committee, as of March 31, 2011, is Shirley Hoy.

AUDIT AND RISK MANAGEMENT COMMITTEE

The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, internal controls over financial reporting, capital expenditure program and risk management program as well as compliance systems that have been established. Chair of this committee, as of March 31, 2011, is Thomas O'Brien.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee helps ensure that the Corporation has sufficient organizational strength at the senior management level to

achieve its short- and long-term goals. This committee also recommends, for Board approval, the compensation and benefit plans for senior management. Chair of this committee, as of March 31, 2011, is William Swirsky.

SOCIAL RESPONSIBILITY COMMITTEE

The Social Responsibility Committee assists the Board to ensure the Corporation conducts its business in a socially responsible manner. It inquires into and oversees such areas as responsible gaming, game integrity and Smart Serve food and beverage service. It will review in particular the design and implementation of internet gaming, with a particular focus on preventing underage and problem gambling. Chair of this committee, as of March 31, 2011, is Jan Westcott.

BUDGET/FINANCE COMMITTEE

The Budget/Finance Committee assists the Board by inquiring into and overseeing the financial matters of the Corporation. It reviews the budget framework, policies and procedures; oversees and contributes to the development of the annual budget and projections; and reviews financial performance. Chair of this committee, as of March 31, 2011, is Anthony Melman.

The total remuneration paid to board members in fiscal 2011 was $209,000.

Striking a Balance – The Strategic Road Map

The following four priorities help the Corporation ensure that its decisions are balanced, reflecting both the need to always put the customer first and the objective of generating revenues that the Province can invest in important public initiatives.

PUBLIC TRUST

Being guardians of the public trust through integrity of operations and promotion of responsible gaming

PLAYER EXPERIENCE

Providing great, entertaining gaming experiences

PARTNERSHIPS

Being great partners in the communities in which we operate including helping our partner businesses and communities to thrive

PROFIT

Returning dividends to support public initiatives

Staff and management alike are measured on their success in attaining targets set in each of these priority areas, and achievement of these targets is built into the corporate compensation plan. By delivering on these priorities, OLG can enhance the public's trust in the organization.

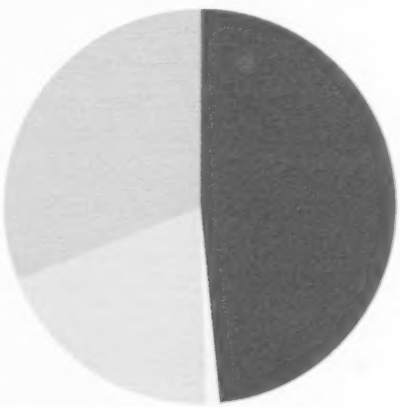
As a part of the entertainment industry, the Corporation's long-term success also depends on the quality of the entertainment value it provides while encouraging a culture of moderation and responsible gaming. OLG is a partner in the support and development of Ontario's communities through the dividend it generates for investment in various programs as well as the regional employment opportunities it creates as a result of the organization's presence throughout the province.

Sources of Revenue

OLG's operations and revenues are organized under four business divisions. Together these four divisions generated $6.7 billion in revenues in fiscal 2011.

REVENUES BY BUSINESS DIVISION

Total Revenue - $6,686 million



Lottery	$3,245 million
Bingo	$76 million
Resort Casinos	$1,300 million
OLG Casinos and Slots	$2,065 million

OLG Lotteries - OLG operates 18 terminal-based lottery and sports games and offers more than 80 INSTANT lottery products through approximately 10,000 independent retailers across the province.

OLG Bingo - OLG is responsible for the conduct and management of six Electronic Bingo (eBingo) Centres - Boardwalk Gaming Centre in Barrie, Boardwalk Gaming Centre in Sudbury, Breakaway Gaming Centre and Paradise Bingo Centre in Windsor, Kawartha Club Bingo in Peterborough and Treasure Chest Bingo in Kingston - all operated by the private sector. OLG also offers a linked Bingo game in select bingo locations across Ontario.

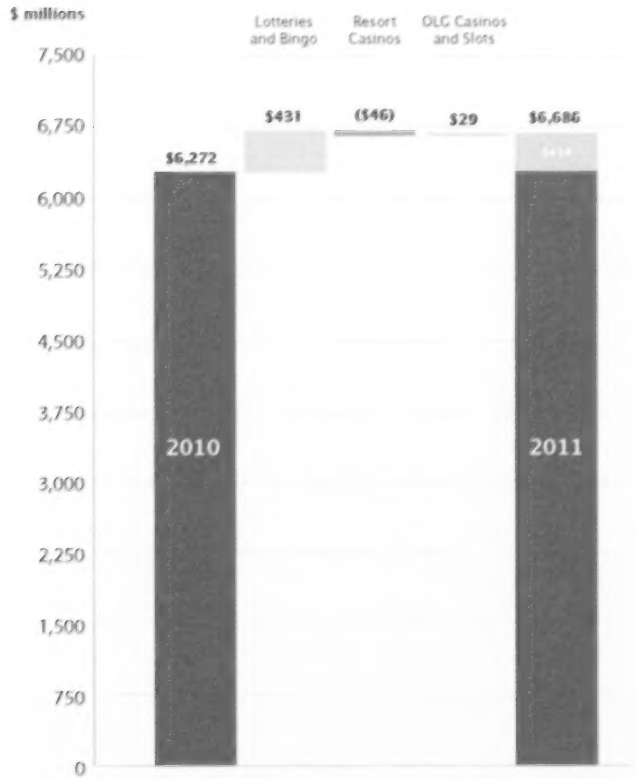
OLG Resort Casinos - OLG is responsible for four Resort Casinos - Caesars Windsor, Casino Niagara, Casino Rama and Niagara Fallsview Casino Resort. These sites are owned and managed by OLG and are operated, under contract, by private casino operating companies.

OLG Casinos and Slots - OLG owns and operates five casinos in Ontario. OLG also owns and maintains authority over the slot machine operation at the Great Blue Heron Charity Casino, an aboriginal casino owned by the Mississaugas of Scugog Island First Nation. OLG also operates 17 slot machine facilities at racetracks across Ontario.

Financial Highlights

(in thousands of dollars) *For the fiscal year ended*	**2011**	2010
Lotteries and Bingo revenue	$ **3,320,994**	$ 2,890,258
Resort Casino revenue	**1,300,308**	1,346,089
OLG Casinos and Slots revenue	**2,064,498**	2,035,547
Total OLG revenue	**6,685,800**	6,271,894
Lotteries and Bingo prizes	$ **1,835,865**	$ 1,589,463
Commissions	**647,712**	614,629
Marketing and promotion	**300,652**	296,325
Amortization	**226,489**	234,339
Interest and other income	**32,183**	58,612
Payments to Province of Ontario*	$ **2,068,126**	$ 1,874,630
Payments to Government of Canada	**227,598**	116,469

**Note - Payments to the Province of Ontario include win contribution. The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999.*



(in thousands of dollars)	**2010 – 2011**
	$ Change
Lotteries and Bingo revenue	$ 430,736
Resort Casino revenue	(45,781)
OLG Casinos and Slots revenue	28,951
Total OLG revenue change	**$ 413,906**

Economic Impact

$2.0 billion

CONTRIBUTION TO THE PROVINCE OF ONTARIO

Since 1975, OLG has generated more than $34 billion for the benefit of the Province of Ontario, all of which is invested by the government to support hospitals, amateur sport, recreational and cultural activities, communities, provincial priority programs such as health care and education, and local and provincial charities and not-for-profit organizations through the Ontario Trillium Foundation. The positive economic impact of OLG goes beyond the annual dividend to government. OLG's purpose is to "make life better for people across Ontario - by generating revenue provincially and economic and social benefits locally." In fact, in fiscal 2011, OLG operations generated $3.7 billion in total economic activity in Ontario.

Last year, OLG employees and employees at OLG's Resort Casino partners donated over $950,000 in total to the United Way and Federated Health Charities through pledges, payroll deductions and special fundraising events.

ALLOCATION OF OLG CONTRIBUTION TO THE PROVINCE

$1,980 million

Operation of hospitals	$1,662 million
Ontario Trillium Foundation	$120 million*
Problem gambling prevention, treatment and research	$39 million*
Ontario amateur sports	$10 million*
Government priorities: health, education, infrastructure	$149 million

**Source: Public Accounts of Ontario 2010 - 2011*

$1.7 billion

SUPPORT FOR LOCAL ECONOMIES

OLG's business activities also generate economic benefits to stakeholders and local economies:

- **$50.8 million** - Goods and services purchased from local Ontario businesses.*
- **$946.6 million** - Payroll for 7,700 direct employees and more than 10,500 employees at the Resort Casinos (including the slot machine facility at the Great Blue Heron Charity Casino). Much of this is reinvested back in home communities.
- **$223.6 million** - Lottery commissions are paid to OLG's 10,000 lottery retailers for sales, for prize redemptions and for selling Jackpot-winning tickets.
- **$110.6 million** - Municipal contributions in the amount of five per cent of slot machine revenues from the first 450 machines and two per cent from each additional machine are made to municipalities that host OLG Slots and Casinos.** Communities that are home to OLG's Resort Casinos and eBingo locations receive commissions or compensating payments based on their respective agreements. This category also includes property taxes and payments in lieu of taxes.
- **$337.5 million** - Industry contributions are made to horse racing tracks and horse people. They receive a predetermined percentage of revenue from slot machines, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operator.

**excludes Resort Casinos*

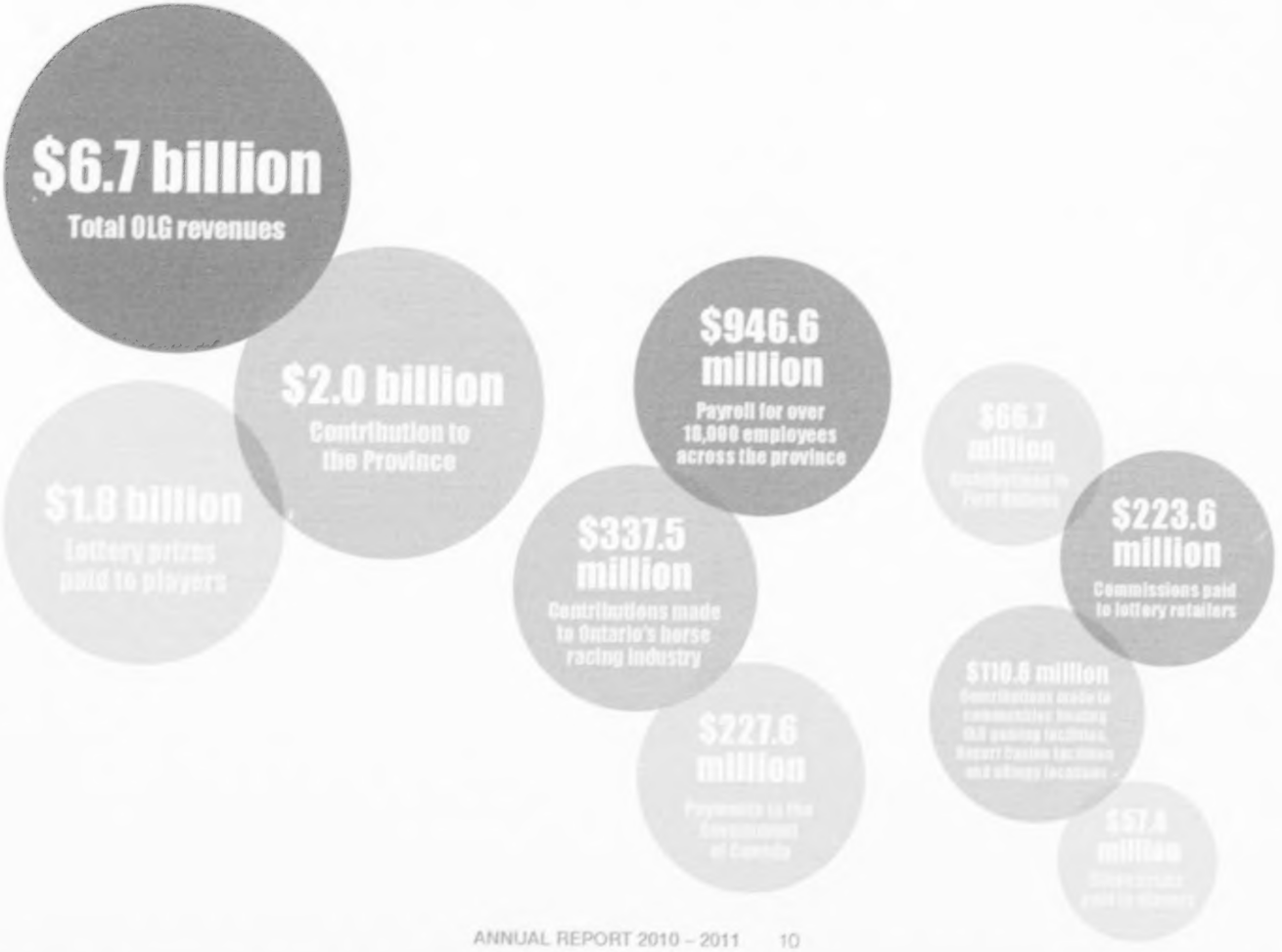
***includes the Mississaugas of Scugog Island First Nation, which hosts the slot machine facility at the Great Blue Heron Charity Casino*

$22.1 million

CORPORATE SOCIAL RESPONSIBILITY

OLG operations also contribute to the health of communities and the good works of the people living in them.

- **$13.1 million** - Investment in problem gambling education, research, prevention and treatment is important to OLG. Working in partnership with government and independent agencies, OLG provides information and tools to assist in the prevention of problem gambling and to help players make informed decisions about gambling. This is in addition to the $39 million of OLG's contribution that is allocated by the Province.
- **$1.9 million** - Sponsorship of worthwhile community and local music events contributes to local cultural, tourism and economic development and helps to build stronger communities.
- **$7.1 million** - Direct-to-charity contributions to the charity associations at each of the participating 14 bingo halls sharing in their respective location's Linked Bingo and/or eBingo proceeds to help support hundreds of local charity and non-profit groups.



2010 – 2011 MUNICIPAL, HOST COMMUNITY AND HORSE INDUSTRY REVENUE PAYMENTS

OLG Casino	Municipality	Municipal Revenue Share
Brantford	Brantford	$ 3,305,000
Point Edward	Point Edward	1,465,000
Sault Ste. Marie	Sault Ste. Marie	1,458,000
Thousand Islands	Gananoque, Leeds and Thousand Islands	3,275,000
Thunder Bay	Thunder Bay	2,359,000
TOTAL		**$ 11,862,000**

	Host Community	Host Community Revenue Share
Great Blue Heron Charity Casino Slots Facility	Mississaugas of Scugog Island First Nation	$ 3,755,000
TOTAL		**$ 3,755,000**

OLG Slots Facility	Municipality	Municipal Revenue Share	Site holder Revenue Share	Horse people Revenue Share
Ajax Downs	Ajax	$ 6,221,000	$ 16,865,000	$ 5,148,000
Clinton Raceway	Central Huron	613,000	1,226,000	1,226,000
Dresden Raceway	Chatham-Kent	665,000	1,329,000	1,329,000
Flamboro Downs	Hamilton	4,445,000	12,081,000	12,081,000
Fort Erie Race Track	Fort Erie	1,409,000	5,312,000	2,973,000
Georgian Downs	Innisfil	4,266,000	12,696,000	12,696,000
Grand River Raceway	Centre Wellington	2,186,000	4,373,000	4,373,000
Hanover Raceway	Hanover	1,112,000	2,224,000	2,224,000
Hiawatha Horse Park	Sarnia	1,477,000	2,962,000	2,962,000
Kawartha Downs	Cavan Monaghan	3,294,000	6,588,000	6,588,000
Mohawk Racetrack	Milton	5,494,000	15,385,000	15,385,000
Rideau Carleton Raceway	Ottawa	4,374,000	14,226,000	14,226,000
Sudbury Downs	Sudbury	2,468,000	4,937,000	4,937,000
Western Fair Raceway	London	3,897,000	10,176,000	10,176,000
Windsor Raceway	Windsor	1,563,000	4,113,000	4,113,000
Woodbine Racetrack	Toronto	15,341,000	58,838,000	58,838,000
Woodstock Raceway	Woodstock	1,228,000	2,455,000	2,455,000
TOTAL		**$ 60,053,000**	**$ 175,786,000**	**$ 161,730,000**

2010 – 2011 MUNICIPAL COMPENSATING PAYMENTS

Resort Casino	Municipality	Compensating Payments
Caesars Windsor	Windsor	$ 3,000,000
Niagara Casinos	Niagara Falls	2,733,000
TOTAL		**$ 5,733,000**

Management's Discussion and Analysis

For the fiscal year ended March 31, 2011

Canadian securities regulations require public companies to include a discussion of operating results in their annual reports, in addition to annual financial statements. As an Operational Enterprise Agency of the Province of Ontario, the Ontario Lottery and Gaming Corporation (OLG or the Corporation) is not subject to these regulations. However, this discussion has been included to increase the reader's understanding of the operations of OLG.

The following Management's Discussion and Analysis (MD&A) of Financial Position and Results of Operations should be read together with the audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2011. The Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

This MD&A provides information for the fiscal year ended March 31, 2011 and is dated June 23, 2011.

FISCAL 2011 OPERATING RESULTS – EXECUTIVE SUMMARY

The following table contains consolidated statement of income data, for the periods indicated, as well as consolidated balance sheet data as at March 31, 2011 and March 31, 2010.

(in thousands of dollars) *As at and for the fiscal year ended March 31*	**2011**	2010	**$ Variance**	% Variance
			favourable (unfavourable)	*favourable (unfavourable)*
Revenues				
Lotteries and Bingo	**$ 3,320,994**	$ 2,890,258	**$ 430,736**	14.9%
Resort Casinos	**1,300,308**	1,346,089	**(45,781)**	(3.4%)
OLG Casinos and Slots	**2,064,498**	2,035,547	**28,951**	1.4%
	6,685,800	6,271,894	**413,906**	6.6%
Operating expenses				
Lotteries and Bingo	**2,412,518**	2,093,341	**(319,177)**	(15.2%)
Resort Casinos	**1,408,098**	1,420,968	**12,870**	0.9%
OLG Casinos and Slots	**1,155,314**	1,100,221	**(55,093)**	(5.0%)
	4,975,930	4,614,530	**(361,400)**	(7.8%)
Income before undernoted	**$ 1,709,870**	$ 1,657,364	**$ 52,506**	3.2%
Interest and other income	**32,183**	58,612	**(26,429)**	(45.1%)
Interest on long-term debt	**(11,157)**	(7,218)	**(3,939)**	(54.6%)
Foreign exchange gain	**8,435**	9,986	**(1,551)**	(15.5%)
Net income	**$ 1,739,331**	$ 1,718,744	**$ 20,587**	1.2%
Total assets	**$ 3,058,885**	$ 3,381,892	**$ (323,007)**	(9.6%)
Total liabilities	**$ 622,279**	$ 831,481	**$ 209,202**	25.2%
Total long-term liabilities	**$ 162,510**	$ 206,306	**$ 43,796**	21.2%
Shareholders' equity	**$ 2,436,606**	$ 2,550,411	**$ (113,805)**	(4.5%)
Payments to Province of Ontario*	**$ 2,068,126**	$ 1,874,630	**$ 193,496**	10.3%
Payments to Government of Canada	**$ 227,598**	$ 116,469	**$ (111,129)**	(95.4%)

**Note - Payments to Province of Ontario include win contribution. The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999.*

The following table contains consolidated statement of income data expressed as a percentage of consolidated revenue for the periods indicated:

	Fiscal 2011	Fiscal 2010	**% Variance** *favourable (unfavourable)*
Revenues			
Lotteries and Bingo	**49.7%**	46.1%	**3.6%**
Resort Casinos	**19.4%**	21.4%	**(2.0%)**
OLG Casinos and Slots	**30.9%**	32.5%	**(1.6%)**
	100.0%	100.0%	–
Operating expenses			
Lotteries and Bingo	**36.1%**	33.4%	**(2.7%)**
Resort Casinos	**21.1%**	22.7%	**1.6%**
OLG Casinos and Slots	**17.3%**	17.5%	**0.2%**
	74.5%	73.6%	**(0.9%)**
Income before undernoted	**25.5%**	26.4%	**(0.9%)**
Interest and other income	**0.5%**	0.9%	**(0.4%)**
Interest on long-term debt	**(0.1%)**	(0.1%)	–
Foreign exchange gain	**0.1%**	0.2%	**(0.1%)**
Net income	**26.0%**	27.4%	**(1.4%)**

Consolidated gross revenue for fiscal 2011 was $6.69 billion, an increase of $413.9 million or 6.6 per cent from $6.27 billion in the previous fiscal year, primarily due to strong results in the lottery and bingo business, which was approximately $430.7 million or 14.9 per cent higher than in the previous fiscal year. OLG Casinos and Slots revenue was also higher in fiscal 2011 but to a lesser extent. Resort Casinos' revenue decreased by $45.8 million or 3.4 per cent as they continue to experience negative pressures from increased border competition, the ongoing impacts of border regulation and a weaker US dollar.

The Corporation's net income for fiscal 2011 was $1.74 billion, $20.6 million higher than in the previous fiscal year. The increase in net income was mainly due to higher revenues from lotteries and bingo, offset partially by increased lottery and bingo prizes and payments to the Government of Canada.

OLG's payment to the Province of Ontario, which is derived from net income, is the largest contribution of non-tax revenue for the Province and is used by the government to invest in health care and other priority programs and to support Ontario's elite amateur athletes and charitable and non-profit organizations through the Ontario Trillium Foundation.

A more comprehensive analysis of these factors is contained in Results of Operations.

1. Results of Operations – Operating Segments

The Corporation has three reportable operating segments, each a distinct revenue-generating business unit that offers different products and services. The segments are Lotteries and Bingo, Resort Casinos and OLG Casinos and Slots.

The Lotteries and Bingo operating segment is further divided into two separate divisions, the Lotteries division and the Bingo division, which are discussed separately below.

A. LOTTERIES

Statement of operations data

(in thousands of dollars) For the fiscal year ended	**2011**	2010	**$ Variance** *favourable (unfavourable)*	% Variance *favourable (unfavourable)*
Revenues				
Gaming revenues	**$ 3,244,548**	$ 2,840,052	**$ 404,496**	14.2%
	3,244,548	2,840,052	**404,496**	14.2%
Operating Expenses				
Lottery operations	**106,944**	102,730	**(4,214)**	(4.1%)
Lottery prizes	**1,778,487**	1,554,423	**(224,064)**	(14.4%)
Commissions	**223,587**	196,050	**(27,537)**	(14.0%)
Marketing and promotion	**57,165**	60,852	**3,687**	6.1%
Amortization	**13,755**	15,778	**2,023**	12.8%
General and administration	**43,700**	42,011	**(1,689)**	(4.0%)
Facilities	**9,022**	8,418	**(604)**	(7.2%)
Payments to Government of Canada	**80,520**	51,173	**(29,347)**	(57.3%)
	2,313,180	2,031,435	**(281,745)**	(13.9%)
Income before the undernoted	**$ 931,368**	$ 808,617	**$ 122,751**	15.2%
Interest and other income	**1,839**	3,829	**(1,990)**	(52.0%)
Interest on long-term debt	**(2,441)**	-	**(2,441)**	(100.0%)
Foreign exchange gain	**–**	2	**(2)**	(100.0%)
	(602)	3,831	**(4,433)**	(115.7%)
Net income	**$ 930,766**	$ 812,448	**$ 118,318**	14.6%

A1. Lotteries revenue

Lotteries revenue for fiscal 2011 was $3.24 billion, an increase of $404.5 million or 14.2 per cent from the previous fiscal year.

The following table sets forth lotteries game, sale and prize data:

Lotteries Sales and Prizes by Game

Product Groupings	**Number of games**		**Revenue** *(in millions of dollars)*		**Percentage of Revenue**		**Prizes** *(in millions of dollars)*	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Online	**12**	11	**$ 2,066.6**	$ 1,719.9	**63.7%**	60.6%	**$ 1,030.1**	$ 835.0
Sports	**6**	6	**269.1**	266.4	**8.3%**	9.4%	**165.1**	174.6
INSTANT	**82**	92	**908.8**	853.8	**28.0%**	30.1%	**583.3**	544.8
Totals	**100**	109	**$ 3,244.5**	$ 2,840.1	**100.0%**	100.0%	**$ 1,778.5**	$ 1,554.4

Online games are lotteries that are played by tickets generated on a lottery terminal. These include such games as LOTTO MAX, LOTTO 6/49 and LOTTARIO. Sports games are also played through a lottery terminal. However, these games are played by predicting the outcomes of sports events or events within an event (e.g., in baseball, the number of base hits one player gets versus another). INSTANT games are lotteries that are played by removing the scratch-off layer on the face of the ticket to reveal usually a series of symbols or numbers to determine if the ticket is a winner.

Online, Sports and INSTANT sales were all higher than in the prior year, by 20.2 per cent, 1.0 per cent and 6.4 per cent, respectively. Online sales were enhanced by favourable Jackpots for LOTTO MAX, 16 Jackpots at $50 million + MAX MILLIONS draws, and strong sales from the launch of POKER LOTTO during the fiscal year. INSTANT games revenue was driven higher by the national $100 MILLION FORTUNE INSTANT ticket and the HOLIDAY GIFT PACK. Sports games experienced an increase in sales as a result of strong PRO★PICKS POOLS professional football cards.

A2. Lotteries net income

Net income from Lotteries for fiscal 2011 was $930.8 million, $118.3 million or 14.6 per cent higher than net income in fiscal 2010, mainly due to increased revenues offset partially by increased lottery prizes and commissions to support the increased sales and increased costs associated with the introduction of Harmonized Sales Tax (HST) partway through the fiscal year.

A3. Lotteries financial key performance indicators

The Corporation continues to focus on maximizing operational efficiencies and profits. In achieving these ends, financial and other key performance indicators (KPIs) are useful tools for assessing critical expenses relative to revenue and other underlying drivers of business activity.

Following are the Lotteries KPIs for fiscal 2011 compared to fiscal 2010:

For the fiscal year ended	**2011**	2010
Adjusted EBIDA margin*	**64.5%**	64.2%
Marketing as a percentage of gaming revenue**	**3.9%**	4.7%
Payroll as a percentage of total revenue***	**2.2%**	2.3%
Average sales per Jackpot ($ millions)	**$ 9.5**	$ 8.0
Total retailers	**9,976**	10,147
INSTANT ticket sales (millions of tickets)	**273**	266
Average price per INSTANT ticket sold	**$ 3.33**	$ 3.21

**The Adjusted EBIDA margin represents earnings before interest expense, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP. Please refer to Section 3 – Disclosures for non-GAAP measures.*

***Marketing as a percentage of gaming revenue is derived by dividing marketing expenses by gaming revenue. Gaming revenue includes revenue from lottery games net of prizes, but excludes all non-gaming revenue. Gaming revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 – Disclosures for non-GAAP measures. Marketing expenses include promotions, advertising and corporate marketing, but exclude payroll costs.*

****Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 – Disclosures for non-GAAP measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that management uses to evaluate the results of the business division.

The adjusted EBIDA margin for Lotteries for fiscal 2011 increased compared to the previous fiscal year as a result of revenues increasing more significantly than operating costs. Marketing expenditure as a percentage of gaming revenue for Lotteries decreased slightly in fiscal 2011 from fiscal 2010, due to less marketing and promotion in the fiscal year compared to fiscal 2010 when OLG was supporting the LOTTO MAX brand launch. Payroll as a percentage of total revenue for Lotteries was 2.2 per cent, down from 2.3 per cent in fiscal 2010 due to lower headcount.

Average sales per Jackpot increased due to the launch of LOTTO MAX. The LOTTO MAX game changed the lottery product mix by offering Jackpots starting at $10 million, growing to a maximum of $50 million and then creating a series of individual $1 million Jackpots thereafter. Fiscal 2011 was the first full year of LOTTO MAX (52 draws) whereas fiscal 2010 had a partial year of LOTTO MAX (27 draws). Typically, larger Jackpots generate higher sales.

The total number of lottery retailers decreased as OLG reduced the number of off-line retailers (those who sell only INSTANT tickets).

Product enhancements and the introduction of new variety games helped drive INSTANT ticket sales higher. Changing the sales mix of INSTANT tickets towards higher price points increased the average price of INSTANT tickets sold to $3.33 from $3.21 in fiscal 2010.

A4. Lotteries trends and risks

In fiscal 2011, OLG was able to identify a group of seven Ontario residents as the rightful winners of a $12.5 million SUPER 7 jackpot drawn on December 26, 2003. The winners were found through an exhaustive investigation by Ontario Provincial Police, supported by OLG's investigative team, and information provided by OLG's new Data Analysis and Retrieval Technology (DART) system. The DART system provides OLG with instant access to billions of lottery transactions dating back to 1999 and enables a rapid identification of play patterns that can help confirm legitimate winners and identify potentially fraudulent behaviour and claims.

In the years following the implementation of OLG's ambitious Prize Integrity Program, the public's perception that "lotteries in Ontario are run openly and honestly" improved in fiscal 2011 to more than 60 per cent from an all-time low of 51 per cent in March 2007. While public confidence has begun to rebound, the Corporation has received significant media attention over group lottery winners and the risks and consequences of group lottery play. In January, a group of 19 co-workers had their prize claim put on hold after other co-workers came forward to claim a share. In February, a similar event happened to another group of 24 co-workers. Both were claims for a $50 million LOTTO MAX Jackpot.

A new terminal-based lottery game, POKER LOTTO, was introduced in fiscal 2011. The game was a Canadian first, using playing card symbols instead of numbers and offering an instant win component in addition to a nightly draw.

The MILLIONAIRE LIFE lottery game was launched in March 2011. This national raffle-style lottery game offered a top prize of $1 million per year for 25 years. The winner(s) can also opt for a one-time lump sum cash payment of $17 million. Competition from a series of large LOTTO MAX Jackpots had a significant negative impact on the sales for this game.

While lottery sales are increasing, the number of customers playing lottery games is not keeping pace with past trends. Player participation has declined by approximately 10 per cent over the past 10 years. The majority of the decline relates to core player participation. Core players are those who play once a week or more. The trend of declining player participation with increasing lottery sales indicates that OLG lottery revenue growth is derived from a smaller base of players. This development of higher sales from a shrinking player base is not sustainable from both a responsible gaming perspective and the long-term viability of the business. However, as a result of successful product launches like LOTTO MAX and POKER LOTTO, player participation grew in fiscal 2011 to 55 per cent and halted what had been a 10-year decline. OLG is continuing to work on broadening its player base to ensure it includes the younger generation of adults as well as new Canadians. The introduction of POKER LOTTO was the first of a series of planned innovative product developments designed to appeal to these important demographic groups.

B. BINGO

Statement of operations data

(in thousands of dollars) For the fiscal year ended	**2011**	2010	**$ Variance** *favourable (unfavourable)*	% Variance *favourable (unfavourable)*
Revenues				
Gaming revenues	**$ 76,446**	$ 50,206	**$ 26,240**	52.3%
	76,446	50,206	**26,240**	52.3%
Operating Expenses				
Gaming operations	**11,269**	9,694	**(1,575)**	(16.2%)
Bingo prizes	**57,378**	35,040	**(22,338)**	(63.8%)
Commissions	**10,940**	8,290	**(2,650)**	(32.0%)
Marketing and promotion	**2,281**	1,956	**(325)**	(16.6%)
Amortization	**1,777**	412	**(1,365)**	(331.3%)
General and administration	**13,185**	5,753	**(7,432)**	(129.2%)
Payments to Government of Canada	**2,508**	761	**(1,747)**	(229.6%)
	99,338	61,906	**(37,432)**	(60.5%)
Loss before the undernoted	**$ (22,892)**	$ (11,700)	**$ (11,192)**	(95.7%)
Interest and other income	**–**	400	**(400)**	(100.0%)
Foreign exchange gain	**12**	-	**12**	100.0%
	12	400	**(388)**	(97.0%)
Net loss	**(22,880)**	(11,300)	**(11,580)**	(102.5%)
Add: charity payments	**7,143**	6,181	**962**	15.6%
Adjusted net loss*	**$ (15,737)**	$ (5,119)	**$ (10,618)**	(207.4%)

**Adjusted net loss represents net loss before charity payments. OLG makes direct-to-charity contributions to the charity associations at each of the participating 14 bingo halls sharing in their respective location's Linked Bingo and/or eBingo proceeds to help support hundreds of local charity and non-profit groups. Adjusted net loss is not a defined term under GAAP; however, it is useful to management in assessing the performance of the Bingo division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with GAAP.*

B1. Bingo revenue

OLG conducts and manages the operations of six electronic bingo locations across Ontario. These sites offer bingo games on handheld or tabletop devices in addition to the classic paper-based play. OLG also offers BIG LINK BINGO, an electronic bingo game that links select bingo locations together for games, thereby allowing for larger Jackpot prizes.

Bingo revenue for fiscal 2011 was $76.4 million, an increase of $26.2 million or 52.3 per cent over the previous fiscal year. This increase can be attributed to the incremental revenue derived from two eBingo sites, Breakaway Gaming Centre (opened November 30, 2009) and Paradise Bingo Centre (opened September 1, 2010), neither of which was operational for the full reporting period for the previous fiscal year.

B2. Bingo adjusted net loss

Bingo adjusted net loss in fiscal 2011 was $15.7 million, an increase from $5.1 million in fiscal 2010. The increase is primarily due to the increased value of prizes to support the growing revenues and an increase in general and administration expense and commission expense. Adjusted net loss is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with GAAP. Payments to charitable associations that rely on funding from bingo gaming are included as an operating expense under gaming operations. These payments totalled $7.1 million in fiscal 2011, representing an increase of 15.6 per cent or $1.0 million over fiscal 2010.

B3. Bingo financial key performance indicators

Below are the Bingo financial KPIs for fiscal 2011 compared to fiscal 2010:

For the fiscal year ended	**2011**	2010
Adjusted EBIDA margin*	**(90.0%)**	(69.9%)
Marketing as a percentage of gaming revenue**	**12.0%**	12.9%
Payroll as a percentage of total revenue***	**8.8%**	11.2%

**The Adjusted EBIDA margin represents earnings before interest expense, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP. Please refer to Section 3 – Disclosures for non-GAAP measures.*

***Marketing as a percentage of gaming revenue is derived by dividing marketing expenses by gaming revenue. Gaming revenue includes revenue from bingo games net of prizes, but excludes all non-gaming revenue. Gaming revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 – Disclosures for non-GAAP measures. Marketing expenses include promotions, advertising and corporate marketing, but exclude payroll costs.*

****Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 – Disclosures for non-GAAP measures.*

The adjusted EBIDA margin for Bingo for the fiscal year 2011 decreased compared to the previous year because of higher operating costs resulting primarily from the two eBingo sites, Breakaway Gaming Centre and Paradise Bingo Centre, neither of which was operational for the full reporting period for the previous fiscal year. The decrease in marketing expenditure as a percentage of gaming revenue for Bingo in fiscal 2011 compared to fiscal 2010 can be attributed to increased Bingo revenues in which marketing expenditures did not increase proportionally. Payroll as a percentage of total revenue for Bingo was down in the current fiscal year from the previous fiscal year due to lower staff levels with increased revenues.

B4. Bingo trends and risks

The Bingo Revitalization Program was introduced in 2005 to assist in stemming the decline of charitable gaming through the introduction of eBingo. As a part of OLG's Bingo Revitalization Program, a sixth eBingo site was opened in Windsor in September 2010. This is the second gaming centre in Windsor that offers customers eBingo and Play on Demand games.

The eBingo initiative has proven to be a successful tool in slowing the decline of bingo, but it has not stopped it. eBingo sales have been declining since fiscal 2009, and the number of customers playing bingo games continues to decline at an even faster rate. The trend of declining player participation with fairly stable average spending per patron indicates that OLG bingo revenue is being generated from a shrinking player base. This is not sustainable from both a responsible gaming perspective and the long-term viability of the business. Aside from a shrinking player base, Big Link Bingo sales continue to decline due to hall closures and reduced participation across the province. The resulting declining revenues do not support fixed-cost initiatives.

To rejuvenate the charitable gaming industry in the province, OLG Board of Directors approved the Charitable Gaming Revitalization Program in May 2010. The priority of the program is to enhance the entertainment experience for current and future players in bingo centres across the province by providing new technology and a variety of new products.

The program will transform OLG's Bingo business by expanding eBingo, replacing Big Link Bingo with Rapid Draw Bingo and adding Break Open Ticket dispensers and Electronic Shutterboard products into participating halls. These projects will enhance the financial health of the industry by attracting new players, enhancing current players' experiences and modernizing the overall ambience of the operations. Industry response has been very strong, and OLG has received commitments from a sufficient number of halls to make the Charitable Gaming operating model sustainable while implementing ancillary games to provide support for sites that choose not to participate in the full complement of eBingo and eSuite games. OLG will continue to work with the industry to ensure that new products are launched to satisfy stakeholders' demands in a timely manner.

C. RESORT CASINOS

Statement of operations data

(in thousands of dollars) For the fiscal year ended	2011	2010	$ Variance	% Variance
			favourable (unfavourable)	*favourable (unfavourable)*
Revenues				
Gaming revenues	$ 1,294,996	$ 1,358,247	$ (63,251)	(4.7%)
Non-gaming revenues	261,214	259,892	1,322	0.5%
	1,556,210	1,618,139	(61,929)	(3.8%)
Less: promotional allowance	255,902	272,050	16,148	5.9%
Net revenue	1,300,308	1,346,089	(45,781)	(3.4%)
Operating Expenses				
Non-gaming	232,293	247,852	15,559	6.3%
Gaming and lottery operations	269,613	274,056	4,443	1.6%
Marketing and promotion	146,031	146,019	(12)	(0.0%)
Operators' fee	60,962	62,722	1,760	2.8%
Amortization	125,221	133,064	7,843	5.9%
General and administration	102,721	100,642	(2,079)	(2.1%)
Facilities	134,841	145,845	11,004	7.5%
Win contribution	259,110	271,753	12,643	4.7%
Payments to Government of Canada	77,306	39,015	(38,291)	(98.1%)
	1,408,098	1,420,968	12,870	0.9%
Loss before the undernoted	$ (107,790)	$ (74,879)	$ (32,911)	(44.0%)
Interest and other income	16,256	28,265	(12,009)	(42.5%)
Interest on long-term debt	(8,311)	(7,146)	(1,165)	(16.3%)
Foreign exchange gain	6,931	7,929	(998)	(12.6%)
	14,876	29,048	(14,172)	(48.8%)
Net loss	(92,914)	(45,831)	(47,083)	(102.7%)
Add: win contribution	259,110	271,753	(12,643)	(4.7%)
Adjusted net income*	$ 166,196	$ 225,922	$ (59,726)	(26.4%)

**Adjusted net income represents net loss adjusted for the addition back of win contribution. The Corporation remits a win contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. Adjusted net income is not a defined term under GAAP; however, it is useful to management in assessing the performance of the Resort Casinos business division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with GAAP.*

C1. Resort Casinos revenue

OLG is responsible for four Resort Casinos - Caesars Windsor, Casino Niagara, Casino Rama and Niagara Fallsview Casino Resort. These sites are owned and managed by OLG and are operated under contract by private casino operating companies.

Caesars Windsor is located in the City of Windsor, Ontario, and its day-to-day operations are carried out by Windsor Casino Limited, which is owned equally by Caesars Entertainment Corporation and Hilton Hotels Corporation, in each case through wholly owned subsidiaries.

Casino Rama is located on the Chippewas of Mnjikaning First Nation, near Orillia, Ontario, and its day-to-day operations are carried out by CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of CRC Holdings, Inc., an indirect wholly owned subsidiary of Penn National Gaming, Inc.

The Niagara Casinos - Casino Niagara and Fallsview Casino Resort - are located in the city of Niagara Falls, Ontario, and their day-to-day operations are carried out by Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casinos Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation.

Total Resort Casino revenue (net of promotional allowance) for fiscal 2011 was $1.30 billion, a decrease of $45.8 million or 3.4 per cent from fiscal 2010. The U.S. passport requirement for cross-border travel, increased U.S. competition and the strong Canadian dollar continue to negatively impact the number of patrons. All Resort Casinos experienced a year-over-year revenue decline.

The revenue decline at Casino Rama and the Niagara Casinos was attributed to a decrease in patron visits in the fiscal year due to the slow economic recovery coupled with competition from the expansion at the OLG Slots at Ajax Downs site, OLG Slots at Georgian Downs and the slot expansion of OLG Slots at Woodbine Racetrack.

The increased U.S. competition and the strong Canadian dollar continued to have a negative impact on Caesars Windsor's revenue, as the property has a large U.S. patron base. The Canadian dollar was stronger throughout fiscal 2011 than in 2010, with an average exchange rate of 1.0165 in fiscal 2011 compared to an average exchange rate of 1.0908 in fiscal 2010. Management believes that the increased U.S. competition and strong Canadian dollar have also led to the loss of Canadian patrons to the U.S. gaming market.

C2. Resort Casinos adjusted net income

In fiscal 2011, the Resort Casinos experienced an adjusted net income of $166.2 million, a decrease from $225.9 million in fiscal 2010 mainly due to lower revenues in the fiscal year and increased payments to the Government of Canada resulting from the introduction of HST. Caesars Windsor was the largest contributor to this variance. Adjusted net income is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for net income as determined in accordance with GAAP.

Under the terms of the operating agreements for all Resort Casinos, each operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin - both as defined in each of the related operating agreements. The operator fee in fiscal 2011 decreased by $1.8 million from fiscal 2010, largely due to decreased revenues, as previously discussed.

C3. Resort Casinos financial key performance indicators

Below are the Resort Casinos financial KPIs for the fiscal year 2011 compared to the fiscal year 2010:

For the fiscal year ended	**2011**	2010
Adjusted EBIDA margin*	**19.0%**	22.1%
Marketing as a percentage of gaming revenue**	**31.0%**	30.8%
Payroll as a percentage of total revenue***	**31.5%**	30.5%
Total patrons (in millions)	**15.6**	16.7
Win per patron	**$ 83**	$ 81
Rated U.S. Play:		
Caesars Windsor	**44.0%**	48.0%
Niagara Casinos	**4.6%**	5.4%

**The Adjusted EBIDA margin represents earnings before interest expense, win contribution, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA, by adding back win contribution, to ensure comparability of profitability margins across divisions and with other gaming organizations. EBIDA margin is not a*

defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP. Please refer to Section 3 - Disclosures for non-GAAP measures.
***Marketing expenses include promotional allowances (including the loyalty incentive programs, the retail value of accommodation, food and beverage and other goods provided on a complimentary basis to patrons), promotions, advertising and corporate marketing. These expenses are divided by gaming revenue. Gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue. Gaming revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 - Disclosures for non-GAAP measures.*
****Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 - Disclosures for non-GAAP measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that management uses to evaluate the results of the business division.

The Adjusted EBIDA margin for the Resort Casinos division was lower in fiscal 2011 than in fiscal 2010 due to declining revenues with operating expenses decreasing only slightly. Marketing as a percentage of gaming revenue was higher in the current fiscal year when compared to the prior fiscal year due to lower revenues yet comparable marketing costs. Although payroll costs were contained by managing business volumes with fewer employees, this indicator increased year over year due to lower revenues.

The total number of patrons decreased to 15.6 million patrons in fiscal 2011 from 16.7 million patrons in fiscal 2010. The win per patron increased to $83 from $81 as patrons were spending more per visit at the Resort Casinos.

C4. Resort Casinos trends and risks

Competition from the U.S. remains a significant consideration for Caesars Windsor. While much of the impact of reduced U.S. and Canadian patronage is reflected in the current operating results, the planned opening of the four Ohio-based casinos will put further pressure on Caesars Windsor revenues commencing in late 2012 or early 2013.

Similar to a number of OLG Casinos and Slots, three of OLG's Resort Casinos are located near the border with the United States, leaving them sensitive to variances in both inbound and outbound cross-border traffic. For the past several years, a strengthening Canadian dollar, the provincial smoking ban, improved and expanded U.S. gaming facilities, the introduction of U.S. passport requirements and the slow economic recovery of U.S. border states have led to declining U.S. visits to Ontario and increasing visits by Ontarians to the U.S. OLG is addressing this revenue risk through cost containment and ongoing service and product enhancements as well as its continued focus on customer service excellence, the cornerstone for maintaining market share in an increasingly competitive market. Despite these mitigation plans, the risk of revenue degradation remains a systemic threat to border markets.

D. OLG CASINOS AND SLOTS

Statement of operations data

(in thousands of dollars) For the fiscal year ended	**2011**	2010	**$ Variance**	% Variance
			favourable (unfavourable)	*favourable (unfavourable)*
Revenues				
Gaming revenues	**$ 2,108,344**	$ 2,075,965	**$ 32,379**	1.6%
Non-gaming revenues	**35,443**	31,125	**4,318**	13.9%
	2,143,787	2,107,090	**36,697**	1.7%
Less: promotional allowance	**79,289**	71,543	**(7,746)**	(10.8%)
Net revenues	**2,064,498**	2,035,547	**28,951**	1.4%
Operating Expenses				
Non-gaming	**36,776**	34,464	**(2,312)**	(6.7%)
Gaming and lottery operations	**282,276**	283,691	**1,415**	0.5%
Commissions	**413,185**	410,289	**(2,896)**	(0.7%)
Marketing and promotion	**95,175**	87,498	**(7,677)**	(8.8%)
Operators' fee	**3,934**	4,546	**612**	13.5%
Amortization	**85,736**	85,085	**(651)**	(0.8%)
General and administration	**75,489**	70,186	**(5,303)**	(7.6%)
Facilities	**80,520**	82,213	**1,693**	2.1%
Win contribution	**14,959**	16,729	**1,770**	10.6%
Payments to Government of Canada	**67,264**	25,520	**(41,744)**	(163.6%)
	1,155,314	1,100,221	**(55,093)**	(5.0%)
Income before the undernoted	**$ 909,184**	$ 935,326	**$ (26,142)**	(2.8%)
Interest and other income	**14,088**	26,118	**(12,030)**	(46.1%)
Interest on long-term debt	**(405)**	(72)	**(333)**	(462.5%)
Foreign exchange gain	**1,492**	2,055	**(563)**	(27.4%)
	15,175	28,101	**(12,926)**	(46.0%)
Net income	**924,359**	963,427	**(39,068)**	(4.1%)
Add: win contribution	**14,959**	16,729	**(1,770)**	(10.6%)
Adjusted net income*	**$ 939,318**	$ 980,156	**$ (40,838)**	(4.2%)

**Adjusted net income represents net income adjusted for the addition back of win contribution. The Corporation remits a win contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. Adjusted net income is not a defined term under GAAP; however, it is useful to management in assessing the performance of the OLG Casinos and Slots business division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net income as determined in accordance with GAAP.*

D1. OLG Casinos and Slots Revenues

Gaming revenue from OLG's Casinos and Slots operations for fiscal 2011 was $2.1 billion, an increase of $32.4 million from fiscal 2010. The increase in revenue related mainly to the expansion of the slot operations at Georgian Downs and Ajax Downs, which had positive impacts on revenue. This was partially offset by the ongoing challenge of attracting American customers to border sites, caused primarily by increased U.S. competition, border regulations and a weaker US dollar. Gaming sites continue to struggle with a declining win per patron.

In fiscal 2011, communities hosting OLG Casinos and Slots received commissions totalling $75.7 million, a decrease of $0.8 million from the prior fiscal year due to a year-over-year increase in the number of slot machines which decreased the overall percentage paid to the municipalities as a result of the mechanics of the revenue-sharing agreement. These commissions are calculated on gross slot machine revenue and represent funds that can be used at the municipalities'

discretion. Racetrack site holders and their horse people received $337.5 million, an increase of $3.7 million from the prior fiscal year due to higher gaming revenue. Payments to racetracks and horse people are a major economic stimulus for the agriculture industry in Ontario, with spinoff benefits for workers who stable and provide care for horses and for farmers who supply feed.

D2. OLG Casinos and Slots adjusted net income

Adjusted net income from OLG Casinos and Slots in fiscal 2011 was $939.3 million, a decrease of $40.8 million or 4.2 per cent from the previous fiscal year due mainly to increased payments to the Government of Canada resulting from the introduction of HST. Additionally, marketing and promotion expenses increased due to the higher total value of promotional incentives provided to patrons expensed at the expansion sites of Ajax, Georgian and Woodbine, as well as increased corporate advertising from the addition of two major promotions in fiscal 2011. Adjusted net income is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for net income as determined in accordance with GAAP.

D3. OLG Casinos and Slots financial key performance indicators

Below are the OLG Casinos and Slots financial KPIs for the fiscal year 2011 compared to the fiscal year 2010:

For the fiscal year ended	**2011**	2010
Adjusted EBIDA margin*	**47.6%**	50.1%
Marketing as a percentage of gaming revenue**	**8.3%**	7.7%
Payroll as a percentage of total revenue***	**15.5%**	15.2%
Total patrons (in millions)	**23.9**	23.4
Win per patron	**$ 88**	$ 89

**The Adjusted EBIDA margin represents earnings before interest expense, win contribution, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA, by adding back win contribution, to ensure comparability of profitability margins across divisions and with other gaming organizations. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP. Please refer to Section 3 - Disclosures for non-GAAP measures.*

***Marketing expenses include promotional allowances (including the loyalty incentive programs, the retail value of accommodation, food and beverage and other goods provided on a complimentary basis to patrons), promotions, advertising and corporate marketing. These expenses are divided by gaming revenue. Gaming revenue includes revenue from slot and table gaming operations, but excludes all non-gaming revenue. Gaming revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 - Disclosures for non-GAAP measures.*

****Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP. Please refer to Section 3 - Disclosures for non-GAAP measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation.

The Adjusted EBIDA margin for OLG Casinos and Slots was lower in fiscal 2011 compared to fiscal 2010 as the increase in operating costs was greater than the increase in revenues. Marketing expenses as a percentage of gaming revenue increased when compared with the previous fiscal year due to the increase in marketing and promotion expenses due to the higher total value of promotional incentives provided to patrons expensed at the expansion sites of Ajax, Georgian and Woodbine, as well as increased corporate advertising from the addition of two major promotions in fiscal 2011. Payroll as a percentage of total revenue for OLG Casinos and Slots increased when compared with the previous fiscal year due to a small increase in full-time employees.

The total number of patrons increased slightly to 23.9 million patrons in fiscal 2011 from 23.4 million patrons in fiscal 2010. The win per patron decreased to $88 as patrons were spending less per visit.

D4. OLG Casinos and Slots trends and risks

The OLG Casinos and Slots division continues to focus on product innovation to broaden product appeal and engage more customers in a responsible manner. The division's game mix strategy strives for an optimal mix of games on the floor at each site. This includes the denominations available, spinning reels versus video slots and electronic table games.

OLG is in the second year of a five-year program to replace the Gaming Management System, which tracks activities on each of 14,000 slot machines in OLG's 23 Casinos and Slots locations throughout Ontario. The new system will give OLG an enhanced ability to understand and respond to customer play patterns.

As part of OLG's ongoing commitment to responsible gaming, Responsible Gaming Resource Centres were established and opened at all 23 OLG Casinos and Slots locations. These on-site centres, operated by the Responsible Gambling Council, provide responsible gaming information and referral services to local treatment agencies. In the coming years, OLG plans to continue its responsible gaming efforts through the introduction of initiatives such as off-site self-exclusion processes and the installation of privacy-protected facial recognition systems.

The Slot Refresh initiative continues to contribute to revenue growth at OLG gaming facilities. Expansions at OLG Slots at Ajax Downs and OLG Slots at Georgian Downs were completed in fiscal 2010 and early fiscal 2011 respectively. In July 2010, approximately 200 new slot machines were added at OLG Slots at Woodbine Racetrack. The renovation of OLG Casino Brantford is underway and expected to be completed in fiscal 2012.

Six OLG Casinos and Slots facilities are located near the border with the United States, leaving them sensitive to variances in both inbound and outbound cross-border traffic. For the past several years, a strengthening Canadian dollar, the provincial smoking ban, improved and expanded U.S. gaming facilities, the introduction of U.S. passport requirements and the slow economic recovery of U.S. border states have led to declining U.S. visits to Ontario and increasing visits by Ontarians to the U.S. OLG is addressing this revenue risk through cost containment, ongoing service and product enhancements as well as its continued focus on customer service excellence, the cornerstone for maintaining market share in an increasingly competitive market. Despite these mitigation plans, the risk of revenue degradation remains a systemic threat to border markets.

2. Financial condition

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by $10.0 million to $314.6 million as at March 31, 2011 from $324.6 million as at March 31, 2010. The majority of the Corporation's cash and cash equivalents are denominated in Canadian dollars as at March 31, 2011.

The decrease in cash and cash equivalents is primarily due to net cash flows provided by operating activities offset by net cash flow used in investing activities and financing activities as set out below:

(in millions of dollars) *For the fiscal year ended*	**2011**	2010
Net cash flows provided by (used in):		
Operating activities	**$ 2,023.1**	$ 1,907.9
Financing activities	**(1,900.5)**	(1,721.6)
Investing activities	**(132.6)**	(185.6)
Net (decrease) increase in cash and cash equivalents	**$ (10.0)**	$ 0.7

Cash flow provided by operations activities for the fiscal year ended March 31, 2011, was $2.02 billion, $115.2 million higher than in the previous fiscal year. This increase is primarily due to favourable changes in non-cash working capital items such as accounts receivable, due to a reduction in the Interprovincial Lottery Corporation receivable, and accounts payable and accrued liabilities, resulting from payments made in the previous fiscal year for the Caesars Windsor expansion and Energy Centre projects.

During the fiscal year ended March 31, 2011, cash flow used in financing activities increased by $178.9 million to $1.90 billion compared with the previous fiscal year. Included in financing activities are direct payments to the Province of Ontario, which totalled $1.79 billion in fiscal 2011, $207.9 million higher than in the previous fiscal year. These payments represent OLG's net cash flow adjusted for working capital requirements and capital expenditures. Also included is repayment of loans to the Ontario Financing Authority (OFA) secured to fund the Caesars Windsor expansion and Energy Centre projects and to fund the renovations at OLG Slots at Ajax Downs and OLG Slots at Woodbine Racetrack. The Caesars Windsor expansion and Energy Centre loan funds were advanced over the course of the construction, with an initial loan balance of $226.5 million, and is repayable over five years, at an interest rate of 3.2 per cent per annum, with a balance of $125.3 million as at March 31, 2011. Funds for the Slots at Ajax Downs expansion project were advanced over the course of the project, and in June 2009 the loan agreement was finalized, with an initial loan balance of $18.5 million and is repayable over five years, at an interest rate of 2.4 per cent per annum, with a balance of $14.7 million as at March 31, 2011. In October 2010, the Corporation entered into a loan agreement with the OFA for purposes of financing the renovation and expansion of the Slots facility at Woodbine Racetrack. The loan agreement provided for a non-revolving construction period loan facility. The Woodbine loan balance was $9.5 million as at March 31, 2011. The interest charged during construction is tied to the Province of Ontario's 90-day Treasury Bill rate plus 0.38 per cent. On May 9, 2011, the principal sum was converted to a five-year, unsecured term loan with an interest rate of 2.931 per cent per annum.

Cash flow used in investing activities, which include capital acquisitions, was $132.6 million for fiscal 2011, which was $53.0 million lower than in the previous fiscal year. Capital expenditures account for $153.5 million of this category. The most significant investments in the fiscal year included upgrades to slot machines, the expansions at OLG Slots at Woodbine Racetrack and the renovations at OLG Casino Brantford.

The capital structure of the Corporation consists of cash and cash equivalents, long-term debt and equity, comprising retained earnings, contributed surplus and reserves.

The Corporation's objectives in managing capital are to ensure sufficient resources are available for it to continue to fund future development and growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of management, including its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the Resort Casinos to establish reserve funds. The Corporation is not subject to any externally imposed capital requirements.

Cash and cash equivalents were $314.6 million as at March 31, 2011. The Corporation believes its financial resources, together with future income, are sufficient to meet funding requirements for current financial commitments, for future operating and capital expenditures not yet committed and to provide the necessary financial capacity to meet current and future growth expectations.

The Corporation's financial risk management and financial instruments are disclosed in Note 9 to the Consolidated Financial Statements.

3. Disclosures for non-GAAP measures

RECONCILIATION OF NON-GAAP MEASURES

The Adjusted EBIDA represents earnings before interest expense, win contribution, impairment of long-lived assets, depreciation and amortization. Adjusted EBIDA is used to determine the EBIDA margin, which is a common measure in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA by adding back win contribution and impairment of long-lived assets to ensure comparability of profitability margins across divisions and with other gaming organizations. Adjusted EBIDA is not a defined term under Canadian GAAP. Accordingly, this non-GAAP measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with Canadian GAAP.

Gaming Revenue is used as the denominator in the calculation of marketing as a percentage of gaming revenue. Gaming Revenue is not a defined term under Canadian GAAP. Accordingly, this non-GAAP measure should not be considered as a substitute or alternative for revenue.

Total Revenue is used as the denominator in the calculation of the Adjusted EBIDA margin and payroll as a percentage of Total Revenue. Total Revenue is not a defined term under Canadian GAAP. Accordingly, this non-GAAP measure should not be considered as a substitute or alternative for revenue.

The following table provides a reconciliation of net income and revenue as referenced in Note 13 to the Consolidated Financial Statements as defined under Canadian GAAP to Adjusted EBIDA, Gaming Revenue and Total Revenue for the fiscal years ended March 31, 2011 and March 31, 2010:

Fiscal Year 2011 (in thousands of dollars)	**Lotteries**	**Bingo**	**Resort Casinos**	**OLG Casinos and Slots**	**Total**
Net income (loss) as referenced in Note 13	$ 930,766	$ (22,880)	$ (92,914)	$ 924,359	$ 1,739,331
Amortization	13,755	1,777	125,221	85,736	226,489
Interest expense	2,441	-	8,311	405	11,157
Win contribution	-	-	259,110	14,959	274,069
Impairment of long-lived assets	-	3,928	-	1,480	5,408
Adjusted EBIDA	**$ 946,962**	**$ (17,175)**	**$ 299,728**	**$ 1,026,939**	**$ 2,256,454**
Revenue, gross of promotional allowances as referenced in Note 13	3,244,548	76,446	1,556,210	2,143,787	7,020,991
Lottery/bingo prizes	(1,778,487)	(57,378)	-	-	(1,835,865)
Non-gaming revenue	-	-	(261,214)	(35,443)	(296,657)
Gaming Revenue	**1,466,061**	**19,068**	**1,294,996**	**2,108,344**	**4,888,469**
Non-gaming revenue	-	-	261,214	35,443	296,657
Interest and other income	1,839	-	16,256	14,088	32,183
Foreign exchange gain	-	12	6,931	1,492	8,435
Total Revenue	**1,467,900**	**19,080**	**1,579,397**	**2,159,367**	**5,225,744**
Adjusted EBIDA %	**64.5%**	**(90.0%)**	**19.0%**	**47.6%**	**43.2%**

Fiscal Year 2010 (in thousands of dollars)	Lotteries	Bingo	Resort Casinos	OLG Casinos and Slots	Total
Net income (loss) as referenced in Note 13	$ 812,448	$ (11,300)	$ (45,831)	$ 963,427	$ 1,718,744
Amortization	15,777	413	133,064	85,085	234,339
Interest expense	-	-	7,146	72	7,218
Win contribution	-	-	271,753	16,729	288,482
Impairment of long-lived assets	-	-	-	3,997	3,997
Adjusted EBIDA	**$ 828,225**	**$ (10,887)**	**$ 366,132**	**$ 1,069,310**	**$ 2,252,780**
Revenue, gross of promotional allowances as referenced in Note 13	2,840,052	50,206	1,618,139	2,107,090	6,615,487
Lottery/bingo prizes	(1,554,423)	(35,040)	-	-	(1,589,463)
Non-gaming revenue	-	-	(259,892)	(31,125)	(291,017)
Gaming Revenue	**1,285,629**	**15,166**	**1,358,247**	**2,075,965**	**4,735,007**
Non-gaming revenue	-	-	259,892	31,125	291,017
Interest and other income	3,829	400	28,265	26,118	58,612
Foreign exchange gain	2	-	7,929	2,055	9,986
Total Revenue	**1,289,460**	**15,566**	**1,654,333**	**2,135,263**	**5,094,622**
Adjusted EBIDA %	**64.2%**	**(69.9%)**	**22.1%**	**50.1%**	**44.2%**

FEES PAID TO EXTERNAL AUDITOR

For the fiscal year ended March 31, 2011, the Corporation retained its independent auditor, KPMG LLP, to provide services in the categories and amounts shown in the table below:

(in thousands of dollars) For the fiscal year ended	2011	2010
Audit services*	**$ 1,451.1**	$ 1,257.1
Audit-related services**	**636.8**	112.0
Tax services	**234.2**	152.6
Other services***	**197.6**	557.2
Total of all Services	**$ 2,519.7**	**$ 2,078.9**

**Increase primarily relates to new audits required in fiscal 2011.*

***Increase primarily relates to audit procedures for IFRS financial statements.*

****Decrease primarily relates to lower fees relating to IFRS advisory services and a decrease in other services provided in fiscal 2011.*

4. Enterprise risk management

OLG must manage a wide variety of risks that could significantly impact financial and non-financial objectives related to its four strategic priorities.

APPROACH TO MANAGING RISK

A formal Enterprise Risk Management (ERM) function is in place at the Corporation. The ERM umbrella covers risk management, business continuity and crisis management and whistle-blowing programs. The ERM function is responsible for the ongoing development and execution of a corporate risk management framework that is aligned with the international standard for risk management (ISO 31000) and requirements set out by the Province. Results of the risk management process are reported to the Audit and Risk Management Committee of the Board.

Management and staff compensation is based in part on managing risks to achieve performance objectives related to the four strategic priorities.

OLG's risk management policy is based on the standards outlined above and the following philosophy:

RISK MANAGEMENT PHILOSOPHY

It is important to the success of OLG that it assumes the appropriate amount of risk in the pursuit of its business objectives. ERM provides a discipline and structure to help ensure that risk is managed in a considered and responsible manner. Risk awareness is embedded in the corporate culture, and employees must take ownership for managing risk. Incorporating risk management into OLG business practices will help ensure that employees demonstrate the corporate values of accountability, integrity and respect.

KEY RISKS

Following is management's assessment of the key enterprise-level risks currently facing OLG, organized around three principal themes:

Risks associated with employees:

- Human Capital (Leadership, Talent Management)
- Governance (Accountability, Organization Culture)

Risks associated with processes:

- Strategic (Corporate Social Responsibility, Stakeholder Relations)
- Operational (Operational Effectiveness, Resource Allocation, Change Readiness, Compliance)
- Management Information (Investment Evaluation)
- Integrity (Fraud)

Risks associated with systems:

- Technology (Infrastructure)

STRATEGIES

OLG has launched an ambitious plan to transform its business that will address risks across all of these categories. Risk mitigation will be a key consideration as the organization undertakes work to strengthen core processes.

Results for 2010/2011:

OLG continued to demonstrate leadership in corporate responsibility and integrity with a number of particularly noteworthy achievements this year. The Data Analytics and Retrieval Technology (DART) contributed to demonstrated successes in protecting Lottery customers. OLG Slots at Woodbine Racetrack was added to the green energy portfolio, and employee participation in the annual Great Canadian Shore Cleanup was unprecedented. OLG's Facial Recognition technology, used to identify self-excluded customers, has been heralded as world-leading in privacy protection, and it should boost public confidence when it is introduced to all sites in fiscal 2012.

In fiscal 2011, the World Lottery Association (WLA) awarded its highest certification, Level 4, to OLG for excellence in the implementation and integration of the Responsible Gaming program into its daily operations. To receive this recognition, OLG submitted a comprehensive report, accompanied by a second-party assessment, detailing its Responsible Gaming program. The WLA is an international organization that represents 142 gaming operations in 90 countries.

5. Overview of Key OLG Initiatives

OLG is undertaking a number of significant initiatives as it positions itself for new customers, new products and new delivery channels. A new Internet Gaming offering and a revitalization of the charitable gaming industry are being developed in parallel with a Strategic Business Review of both land-based gaming and lottery distribution channels. Together, these projects will define OLG's future operating models, spanning the existing lottery and gaming businesses

and the new Internet and charitable gaming businesses. These projects are being managed in an integrated fashion and are collectively referred to within OLG as the 'Transition Plan'.

Internet Gaming (iGaming) Program
On August 10, 2010, OLG announced that it would be extending its brand to Internet Gaming by 2012.

In November 2010, OLG issued an open Request for Information (RFI) to seek input from leaders in the Internet Gaming industry on three high-level operating models under consideration. The responses received helped inform OLG's selection of a model that will allow us to conduct and manage the Internet Gaming platform while equally supporting our commitment to Responsible Gaming and player protection.

Since this initial announcement, OLG has been engaging industry leaders and gaming operators in both Canada and Europe to learn about best practices and security procedures in the Internet Gaming arena. As a result of these consultations, OLG expects to implement an appealing, well-managed and well-run Internet Gaming site that reflects our world-class standards for integrity, player protection, security and Responsible Gaming.

Charitable Gaming (cGaming) Revitalization Program
OLG, in collaboration with the Ontario Charitable Gaming Association (OCGA) and the Commercial Gaming Association of Ontario (CGAO), is embarking on a multi-year Charitable Gaming Revitalization Program. The collective vision of the program is to sustain and grow the charitable gaming industry by attracting additional players and increasing revenues to charities. The goal is to create a new entertainment experience in charitable bingo gaming centres to retain current players and attract new players to achieve a long-term, viable, local funding model for participating charities. Building on the eBingo pilots, the Charitable Gaming Revitalization Program will deliver a standard agreement for electronic bingo delivery that allows all participating bingo halls to deliver a modern and competitive customer experience.

Strategic Business Review
OLG is developing strategy that integrates the following objectives: increase profit to the Province; use gaming as an effective driver of economic development; introduce new customers and new technologies to the lottery and gaming businesses; and increase the value of OLG assets. The Strategic Business Review encompasses OLG's two core business lines - lottery and gaming - and will provide an unprecedented view of future opportunities compared with OLG's current business model. The project includes a broad yet targeted stakeholder consultation, focused research on best practices and financial modelling of potential business models.

Customer Relationship Management (CRM) Program
OLG is implementing a Siebel-based system that will be the single repository for player information across all lines of business. This repository will enable OLG to develop a 'single view of the customer,' including history of play at OLG Casinos and Slots, Resort Casinos, eBingo Centres and, ultimately, on the Internet. It will also be used to track all customer interaction, including customer service calls and lottery prizes paid. Once implemented, OLG will be better able to respond to customer needs and better able to manage the integrity of personal information.

Gaming Management System (GMS) Program
OLG is in the second year of a five-year program to replace the Gaming Management System, which tracks activities on each of 14,000 slot machines in OLG's 23 Casinos and Slots locations throughout Ontario. The new system will give OLG an enhanced ability to understand and respond to customer play patterns.

Corporate Services Transformation (CST)
This is a multi-year program that will deliver improved internal controls and financial governance through the introduction of effective and common processes, systems and tools within both OLG and the Resort Casinos, and the introduction of service delivery models for non-core activities.

MARKET TRENDS

The gaming industry in North America experienced mixed results in calendar year 2010. While continued high levels of unemployment and declining personal disposable income led to revenue declines in most markets, others showed modest signs of improvement. Some key economic indicators have improved from the lows of the recession, but most remain below pre-recession levels.

In 2010, Canadian gaming revenue declined in each of the other three jurisdictions that generated at least $1 billion in revenue. Revenues in both British Columbia and Quebec declined one per cent from prior-year levels, while Alberta saw a second consecutive annual decline, dropping six per cent from the prior year.

After two years of dramatic revenue declines, the U.S. gaming industry has seen some modest improvement. In 2010, gaming revenue in the Las Vegas strip rebounded somewhat, increasing four per cent from the previous year but still 15 per cent below pre-recession levels. In Atlantic City, revenue decreased 10 per cent, attributed to increased competition from the introduction of slots and table games in neighbouring Pennsylvania and the general economic downturn. Across the twelve U.S. jurisdictions that host commercial casinos, the story is very similar. Only four states saw gaming revenue increases in 2010 - Colorado (by increasing betting limits and extending operating hours); Missouri (by reducing loss limits); Pennsylvania (by adding a new casino and 700 table games across the state); and Michigan (whose Detroit casinos grew primarily at the expense of OLG's border properties).

Gaming industry analysts predict demand will remain weak until late 2011 as unemployment is forecast to remain at high levels through 2014. U.S. gaming revenues are not expected to recover to 2007 levels until at least 2012.

Another reason for declining revenue has been attributed to the migration of land-based players to the convenience, variety and value of Internet gaming. Industry analysts estimate the North American Internet gaming market to be approximately $5 billion, including an estimated $800 million derived from Canadian residents. OLG is currently evaluating potential operating models for the launch of its own Internet-based gaming offering.

6. Critical Accounting Policies and Estimates

The preparation of Consolidated Financial Statements requires the Corporation to make estimates and assumptions with respect to the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are based on the Corporation's historical experience and are believed by the Corporation to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and are used to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates are used in determining, but are not limited to, the valuation of markers receivable and loans receivable, valuation of inventory, the useful lives of all depreciable assets, the recoverability of property, plant and equipment, goodwill, unclaimed prize liabilities, employee future benefit obligations, asset retirement obligations, the patrons' loyalty program provision, the amount due to Government of Canada and the outstanding chip, ticket and token liability. Actual results could differ from these estimates.

The Corporation's critical accounting policies and estimates have been reviewed and discussed with the Audit and Risk Management Committee of the Board of Directors. The Corporation's critical and significant accounting policies are described in Note 1 to the Consolidated Financial Statements.

7. Supplementary Data

OLG CASINOS AND SLOTS GAMING REVENUE BY LOCATION:

(in millions of dollars)
For the fiscal year ended

Facility	2011	2010	$ Change	% Change
OLG Casino Brantford	$ 106.2	$ 108.0	$ (1.8)	(1.7%)
OLG Casino Point Edward	36.1	39.9	(3.8)	(9.5%)
OLG Casino Sault Ste. Marie	30.7	31.1	(0.4)	(1.3%)
OLG Casino Thousand Islands	76.3	78.6	(2.3)	(2.9%)
OLG Casino Thunder Bay	49.9	50.0	(0.1)	(0.2%)
OLG Slots at Ajax Downs	168.6	112.1	56.5	50.4%
OLG Slots at Clinton Raceway	12.3	12.1	0.2	1.7%
OLG Slots at Dresden Raceway	13.3	13.2	0.1	0.8%
OLG Slots at Flamboro Downs	120.8	121.0	(0.2)	(0.2%)
OLG Slots at Fort Erie Race Track	29.7	37.5	(7.8)	(20.8%)
OLG Slots at Georgian Downs	127.0	112.6	14.4	12.8%
OLG Slots at Grand River Raceway	43.7	43.1	0.6	1.4%
OLG Slots at Hanover Raceway	22.2	21.8	0.4	1.8%
OLG Slots at Hiawatha Horse Park	29.6	31.2	(1.6)	(5.1%)
OLG Slots at Kawartha Downs	65.9	68.3	(2.4)	(3.5%)
OLG Slots at Mohawk Racetrack	153.8	153.9	(0.1)	(0.1%)
OLG Slots at Rideau Carleton Raceway	142.3	144.3	(2.0)	(1.4%)
OLG Slots at Sudbury Downs	49.4	48.7	0.7	1.4%
OLG Slots at Western Fair Raceway	101.8	101.2	0.6	0.6%
OLG Slots at Windsor Raceway	41.1	42.3	(1.2)	(2.8%)
OLG Slots at Woodbine Racetrack	588.4	597.8	(9.4)	(1.6%)
OLG Slots at Woodstock Raceway	24.6	23.7	0.9	3.8%
OLG Slot Operations at Great Blue Heron Charity Casino*	74.7	83.6	(8.9)	(10.6%)
Total OLG Slots and Casinos *(including Great Blue Heron Charity Casino*)*	$ 2,108.4	$ 2,076.0	$ 32.4	1.6%

**The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by CAI Ontario Inc., Fantasy Gaming and Sonco Gaming. OLG owns and maintains authority over the slot machine facility, which is located within the casino.*

OLG RESORT CASINOS GAMING REVENUE BY LOCATION:

(in thousands of dollars)
For the fiscal year ended

Facility	2011	2010	$ Change	% Change
Caesars Windsor	$ 260,231	$ 272,859	$ (12,628)	(4.6%)
Casino Rama	434,965	467,460	(32,495)	(7.0%)
Niagara Casinos	599,800	617,928	(18,128)	(2.9%)
Total Resort Casinos	$ 1,294,996	$ 1,358,247	$ (63,251)	(4.7%)

KEY ECONOMIC IMPACTS:

OLG Resort Casinos

Economic Impact of Operations as of and for the year ended March 31, 2011

Facility	Opening Date	Number of Employees	Annual Payroll	Number of Patrons	Number of Slots	Gaming Tables
			(in thousands of dollars)			
Caesars Windsor	May 17, 1994	3,134	$ 159,332	3,791,999	2,320	83
Casino Rama	Jul 31, 1996	2,949	127,876	3,364,071	2,427	123
Niagara Casinos	Dec 9, 1996	4,218	209,977	8,426,174	4,645	173
Total Resort Casinos		**10,301**	**$ 497,185**	**15,582,244**	**9,392**	**379**

OLG Casinos

Economic Impact of Operations as of and for the year ended March 31, 2011

Facility	Opening Date	Number of Employees	Annual Payroll	Revenue to Municipality*	Number of Patrons**	Number of Slots	Gaming Tables
			(in thousands of dollars)				
OLG Casino Brantford	Nov 17, 1999	869	$ 39,301	$ 3,305	1,383,330	539	55
OLG Slot Operations at Great Blue Heron Charity Casino	May 3, 2000	***	***	****	1,297,609	538	*****
OLG Casino Point Edward	Apr 18, 2000	449	$ 21,929	$ 1,465	473,592	474	26
OLG Casino Sault Ste. Marie	May 19, 1999	316	$ 15,192	$ 1,458	643,335	447	13
OLG Casino Thousand Islands	Jun 20, 2002	415	$ 19,356	$ 3,275	860,523	496	23
OLG Casino Thunder Bay	Aug 28, 2000	364	$ 16,999	$ 2,359	1,006,468	452	14
Totals		**2,413**	**$ 112,777**	**$ 11,862**	**5,664,857**	**2,946**	**131**

Note: The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by CAI Ontario Inc., Fantasy Gaming and Sonco Gaming. OLG owns and maintains authority over the slot machine facility, which is located within the casino. The Great Blue Heron Charity Casino is a true Aboriginal casino and a major First Nations initiative. The Mississaugas of Scugog Island First Nation Indian Band (#34) formed the Baagwating Community Association, a non-profit charitable association, to conduct and manage the table game operations.

The Ontario Government receives 20 per cent of gaming revenue and 100 per cent of net profits from the OLG slot operations at Great Blue Heron Charity Casino.

**5 per cent of revenue from slot machines up to 450 machines and 2 per cent of revenue from slots over 450.*
***Great Blue Heron patron figures are based on entire facility.*
****241 employees of Great Blue Heron Gaming Company work in the slot operations. Annual payroll is $12.7 million.*
*****As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas receive 5 per cent of the revenues of the OLG slot machine operations, totalling $3.8 million in fiscal 2011.*
******While Great Blue Heron Charity Casino offers table games, OLG management and reporting is limited to the slot operations.*

OLG Slots

Economic Impact of Operations as of and for the year ended March 31, 2011

Facility	Opening Date	Number of Employees	Number of Slots	Number of Patrons	Annual Payroll	Revenue to Tracks*	Revenue to Horse People*	Revenue to Municipality*
					(in thousands of dollars)			
Ajax Downs	Feb 28, 2006	332	800	1,654,426	14,658	16,865	5,148	6,221
Clinton Raceway	Aug 24, 2000	92	123	171,697	4,371	1,226	1,226	613
Dresden Raceway	Apr 18, 2001	87	116	179,299	4,568	1,329	1,329	665
Flamboro Downs	Oct 11, 2000	223	801	1,246,800	10,984	12,081	12,081	4,445
Fort Erie Race Track	Sep 9, 1999	225	401	792,993	12,013	5,312	2,973	1,409
Georgian Downs	Nov 27, 2001	328	1,000	1,265,616	14,201	12,696	12,696	4,266
Grand River Raceway	Dec 4, 2003	161	240	612,198	7,162	4,373	4,373	2,186
Hanover Raceway	Feb 19, 2001	97	131	304,185	4,792	2,224	2,224	1,112
Hiawatha Horse Park	May 8, 1999	140	452	590,045	7,390	2,962	2,962	1,477
Kawartha Downs	Nov 22, 1999	177	450	786,957	9,077	6,588	6,588	3,294
Mohawk Racetrack	Aug 10, 1999	240	861	1,135,027	11,893	15,385	15,385	5,494
Rideau Carleton Raceway	Feb 16, 2000	268	1,275	1,784,472	13,915	14,226	14,226	4,374
Sudbury Downs	Nov 26, 1999	148	370	558,405	7,956	4,937	4,937	2,468
Western Fair Raceway	Sep 28, 1999	330	715	1,244,166	14,432	10,176	10,176	3,897
Windsor Raceway	Dec 16, 1998	211	750	676,808	10,512	4,113	4,113	1,563
Woodbine Racetrack	Mar 27, 2000	715	2,440	4,929,722	32,667	58,838	58,838	15,341
Woodstock Raceway	Jun 20, 2001	91	185	335,127	4,716	2,455	2,455	1,228
Totals		**3,865**	**11,110**	**18,267,943**	**185,307**	**175,786**	**161,730**	**60,053**

**Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operator; municipalities receive 5 per cent of revenue from slots up to 450 machines and 2 per cent of revenue from slot machines over 450.*

Management's Responsibility for Annual Reporting

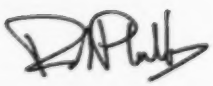
The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where required, management has made informed judgments and estimates in accordance with Canadian generally accepted accounting principles.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit and Risk Management Committee, which is composed entirely of directors who are neither officers nor employees of the Corporation. The Audit and Risk Management Committee reviews the financial statements and recommends them to the Board for approval. This Committee meets periodically with management, internal audit and the external auditors.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their applications on an ongoing basis. The reports prepared by the internal auditors are reviewed by the Committee. The VP, Internal Audit and Risk Management, responsible for Internal Audit and Enterprise Risk Management, reports directly to the Audit and Risk Management Committee.

KPMG LLP, the independent auditor appointed by the Board of Directors upon the recommendation of the Audit and Risk Management Committee, has examined the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements. The independent auditor has full and unrestricted access to the Committee.



Rod Phillips
President and
Chief Executive Officer

Preet Dhindsa
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

June 23, 2011

Auditors' Report

To the Board of Directors of the Ontario Lottery and Gaming Corporation and to the Minister of Finance of Ontario:

We have audited the accompanying consolidated financial statements of Ontario Lottery and Gaming Corporation, which comprise the consolidated balance sheet as at March 31, 2011 and 2010, the consolidated statements of income and comprehensive income, cash flows, and retained earnings for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of Ontario Lottery and Gaming Corporation as at March 31, 2011 and 2010, and its consolidated statements of income and comprehensive income, cash flows, and retained earnings for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

June 23, 2011

Consolidated Balance Sheet

As at March 31, 2011, with comparative figures for 2010 (in thousands of dollars)	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 314,572	$ 324,640
Accounts receivable	69,034	78,239
Prepaid expenses	29,529	32,478
Inventories (Note 2)	18,354	29,695
Cash and short-term investments held for First Nations (Note 5)	8,673	191,696
Current portion of loans receivable (Note 4)	5,685	6,121
	445,847	662,869
Restricted cash (Note 3)	188,388	199,103
Loans receivable (Note 4)	20,033	25,858
Property, plant and equipment (Note 6)	2,402,841	2,492,286
Goodwill	1,776	1,776
	$ 3,058,885	$ 3,381,892
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 319,685	$ 321,817
Due to operators (Note 7)	32,219	37,544
Due to Rama First Nation	1,422	1,577
Due to Government of Canada (Note 17)	16,054	7,421
Deferred revenues	25,831	15,807
Due to First Nations (Note 5)	8,673	191,696
Current portion of long-term debt (Note 8)	55,885	49,313
	459,769	625,175
Long-term debt (Note 8)	139,705	186,077
Accrued future benefit costs (Note 15)	21,252	18,694
Asset retirement obligations (Note 6)	1,553	1,535
Equity		
Retained earnings	2,245,256	2,358,441
Contributed surplus	62,345	62,345
Reserves (Note 3)	129,005	129,625
	2,436,606	2,550,411
	$ 3,058,885	$ 3,381,892

Commitments (Notes 3, 4, 7 and 11), Contingencies (Notes 7 and 12), Subsequent event (Note 8)

See accompanying notes to consolidated financial statements.

On behalf of the Board

Paul Godfrey
Chair

Thomas O'Brien
Director

Consolidated Statement of Income and Comprehensive Income

Year ended March 31, 2011, with comparative figures for 2010 (in thousands of dollars)	2011	2010
Revenues		
Lotteries and bingo	$ 3,320,994	$ 2,890,258
Resort casinos	1,300,308	1,346,089
OLG casinos and slots	2,064,498	2,035,547
	6,685,800	6,271,894
Operating expenses		
Lotteries and bingo	2,412,518	2,093,341
Resort casinos	1,408,098	1,420,968
OLG casinos and slots	1,155,314	1,100,221
	4,975,930	4,614,530
Income before the undernoted	1,709,870	1,657,364
Interest and other income	32,183	58,612
Interest on long-term debt	(11,157)	(7,218)
Foreign exchange gain	8,435	9,986
Net income and comprehensive income	$ 1,739,331	$ 1,718,744

Segmented information (Note 13)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

Year ended March 31, 2011, with comparative figures for 2010 (in thousands of dollars)	2011	2010
Retained earnings, beginning of year	$ 2,358,441	$ 2,292,765
Net income	1,739,331	1,718,744
Transfers from reserves, net	620	264
Distribution to First Nations on behalf of the Province of Ontario	(59,079)	(67,184)
Payments to the Province of Ontario	(1,794,057)	(1,586,148)
Retained earnings, end of year	$ 2,245,256	$ 2,358,441

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010 (in thousands of dollars)	2011	2010
Cash flows from (used in) operating activities		
Net income	$ 1,739,331	$ 1,718,744
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of property, plant and equipment and asset retirement obligations (Note 6)	226,489	234,339
Accretion expense	18	36
Loss on disposal of property, plant and equipment	7,150	8,622
Impairment of long-lived assets (Note 6)	5,408	3,997
Accrued future benefit costs	2,558	2,986
Change in non-cash working capital:		
Accounts receivable	9,205	(17,856)
Prepaid expenses	2,949	4,356
Inventories	11,341	(7,972)
Cash and short-term investments held for First Nations	7,582	(340)
Accounts payable and accrued liabilities	(2,132)	(32,282)
Due to operators	(5,325)	(6,920)
Due to Rama First Nation	(155)	(98)
Due to Government of Canada	8,633	2,044
Deferred revenues	10,024	(1,748)
Net cash from operating activities	2,023,076	1,907,908
Cash flows from (used in) financing activities		
Increase in long-term debt	9,513	18,524
Repayments of long-term debt	(47,825)	(87,055)
Payment of capital lease obligations	(1,488)	(92)
Payments to Province of Ontario	(1,794,057)	(1,586,148)
Distributions to First Nations	(66,661)	(66,844)
Net cash used in financing activities	(1,900,518)	(1,721,615)
Cash flows from (used in) investing activities		
Issuance of loans receivable (Note 4)	(477)	(2,034)
Repayment of loans receivable	6,738	6,513
Capital expenditures	(153,522)	(187,328)
Proceeds on disposal of property, plant and equipment	3,920	3,460
Decrease (increase) in restricted cash	10,715	(6,216)
Net cash used in investing activities	(132,626)	(185,605)
Increase (decrease) in cash and cash equivalents	(10,068)	688
Cash and cash equivalents, beginning of year	324,640	323,952
Cash and cash equivalents, end of year	$ 314,572	$ 324,640
Cash and cash equivalents are comprised of:		
Cash	$ 314,572	$ 323,240
Cash equivalents	–	1,400
	$ 314,572	$ 324,640
Supplemental cash flow information:		
Cash interest received	$ 3,040	$ 3,042
Cash paid for interest	7,336	6,808
Supplemental disclosure relating to non-cash financing and investing activities:		
Acquisition of Casino Niagara building through capital lease	$ –	$ 47,640

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2011, with comparative figures for 2010
(tabular amounts in thousands of dollars)

The Ontario Lottery and Gaming Corporation (OLG or the Corporation) was established without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, five casinos and the Great Blue Heron Slot Machine Facility, 17 slot operations at racetracks and four Resort Casinos (comprising Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview)) in the Province of Ontario.

The Corporation has entered into operating agreements with Windsor Casino Limited, CHC Casinos Canada Limited, Falls Management Group, L.P. and Great Blue Heron Gaming Company for the operation of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview) and the Great Blue Heron Slot Machine Facility, respectively.

1. Significant accounting policies

a. Basis of consolidation
The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary.

In addition, the consolidated financial statements include the financial position and results of operations of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (together referred to as the Resort Casinos) and the Great Blue Heron Slot Machine Facility.

The operating results of the Great Blue Heron Slot Machine Facility are included with the results of the OLG Casinos and Slots. These consolidated financial statements do not include other operations carried out at the Great Blue Heron Charity Casino.

b. Revenue recognition
Lottery and bingo games are sold to the public by contracted lottery retailers and bingo service providers. Revenue from tickets sold to customers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs. Revenue from instant games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets. Revenue from sports wagering games and bingo gaming is recognized when the ticket, paper or electronic game is sold to the customer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations represents the difference between amounts earned through gaming wagers less the payouts from those wagers, with liabilities recognized for funds deposited by patrons before gaming play occurs, for chips and 'ticket-in, ticket-out' coupons in the patron's possession, and for accruals related to the anticipated payout of progressive jackpots. Incentives related to gaming play and points earned in loyalty programs are recognized as promotional allowances as described in Note 1 (c) (i).

Non-gaming revenue includes revenue from accommodations, food and beverage, entertainment centre and other services and is recognized at the time the services are rendered to patrons. Revenue related to incentives provided to patrons on a complimentary basis is recorded at the retail value of accommodations, food and beverage, and other goods and services and is recognized as described in Note 1 (c) (ii).

c. Promotional allowances

Promotional allowances include incentive programs such as the cost of points for the loyalty programs, as well as the retail value of accommodations, food and beverage and other goods and services provided to patrons on a complimentary basis.

(i) Loyalty programs

The Corporation has customer loyalty incentive programs whereby patrons are granted points based on the volume of play during gaming transactions. The incentive program points can be redeemed for cash, for free play, or for free or discounted goods and services. A financial liability is recognized when the points are granted and a corresponding amount equal to the estimated redemption value is recorded as a promotional allowance which is netted against revenue. The patron's point balance will be forfeited if the patron does not earn additional points over the prior six- to 12-month period. If the points expire or are forfeited, the financial liability is derecognized and a corresponding credit is recorded as income.

(ii) Other incentive programs

The retail value of accommodations, food and beverage, goods and services, and other coupons and incentives provided to patrons on a complimentary basis is included in non-gaming or gaming revenue as applicable and is recorded as promotional allowances netted against revenue as disclosed in the segmented information note to the consolidated financial statements (Note 13). The costs of providing these promotional allowances have been included as expenses in the Consolidated Statement of Income and Comprehensive Income.

d. Lottery prizes

Prize expense for lottery and bingo games is recognized based on the predetermined prize structure for each game in the period in which revenue is recognized as described below:

- Prize expense for tickets sold to customers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs.
- Prize expense for instant games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets.
- Prize expense for sports wagering games is recognized when the last wagered event occurs.
- Prize expense for bingo gaming is recognized when the bingo paper or electronic game is sold to the customer.
- Prize expense for annuity-based top prizes is based on the cost of the annuity purchased by the Corporation from a third party.
- An estimate for lottery prizes that will not be claimed is recognized as unclaimed prizes in the period in which revenue is recognized.

Prize expense is adjusted on a monthly basis to reflect amounts actually won and/or unclaimed.

Unclaimed prizes on national games are returned to the patrons through guaranteed jackpots and bonus draws. Unclaimed prizes on regional games are returned to the Province of Ontario through distributions to the Province. National games are administered by the Interprovincial Lottery Corporation and sold throughout Canada, while regional games are administered by the Corporation and sold only in Ontario.

e. Commissions and bonuses

Lottery retailers receive a commission of eight per cent on all instant tickets and a commission of five per cent on all online tickets sold. Where a commission has been paid to retailers for ticket sales relating to future draws, the commission fee is recorded as a prepaid expense until the related revenue is recognized at the time commission expense is recognized. Lottery retailers also receive a three per cent commission on instant ticket redemptions and a commission of two per cent on online ticket redemptions. A $1,000 bonus is paid to any retailer who sells a major prize-winning online ticket, excluding sports and daily games. A bonus amount that is paid to a retailer for selling a major prize is recorded as an expense when the ticket is redeemed.

Bingo service providers receive a commission based on either a) a percentage of total gaming revenue, plus or minus incentive adjustments for achieving sales, prize payout and cost of goods sold targets or b) a percentage of total gaming revenue less total prize payout. Municipalities that host the Corporation's bingo centres receive a commission based on either a percentage of total revenue or a percentage of total revenue less total prize payout.

Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operator. Municipalities that host an OLG Casino or Slots at Racetrack facility receive five per cent of revenue from slots up to 450 machines and two per cent of revenue from slot machines over 450. As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas of Scugog Island First Nation receives five per cent of the revenue from the slot machines.

f. Cash and cash equivalents

Cash equivalents are defined as liquid investments that have a term to maturity at the time of purchase of less than 90 days. As at March 31, 2011, cash and cash equivalents include bank term deposits amounting to $nil (2010 - $1,400,000) at an interest rate of nil per cent (2010 - 0.1 per cent).

g. Retailer and bingo service provider accounts receivable

Retailer accounts receivable represents lottery proceeds due from lottery retailers for lottery ticket sales net of commissions and prizes paid by the retailers. Also included are bingo proceeds due from bingo service providers for bingo sales net of commissions and prizes paid. An allowance for bad debts of $nil (2010 - $1,512,000) has been recorded on this receivable balance. As at March 31, 2011, the net book value of retailer and bingo service provider accounts receivable was $48,416,000 (2010 - $36,407,000).

h. Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost or first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

i. Property, plant and equipment

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	10 to 50 years
Furniture and fixtures	2 to 10 years
Leasehold improvements	Over term of lease
Lottery gaming assets	3 to 10 years
Casino and racetrack slot operations gaming assets	2 to 10 years
Assets under capital lease	Over term of lease

Property, plant and equipment are amortized when available for use.

Construction in progress and assets not in use are stated at cost. Costs will be amortized commencing upon substantial completion of the related project.

Interest charges incurred during the construction and development of property, plant and equipment are capitalized and amortized over the estimated useful life of the associated property, plant and equipment.

Assets to be disposed of would be separately presented in the Consolidated Balance Sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The assets and liabilities to be disposed of are

classified as held for sale and are presented separately in the appropriate asset and liability sections of the Consolidated Balance Sheet.

j. Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The impairment analysis is performed using a two-step process. Step I of the impairment test assesses if the carrying value of the long-lived asset exceeds its estimated undiscounted future cash flows in order to assess if the asset is impaired. In the event the estimated undiscounted future cash flows are lower than the carrying value of the asset, a Step II impairment test must be carried out to determine the impairment charge. In Step II, a long-lived asset is written down to its estimated fair value. Given there is no readily available quoted value for the Corporation's long-lived assets, the Corporation determines fair value of its long-lived assets using the estimated discounted future cash flows expected from their use and eventual disposition. The discounted future cash flows in Step II are based on the undiscounted cash flows in Step I. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

k. Leases

Leases that transfer substantially all the benefits, risks and rewards of ownership to the Corporation are recorded as capital leases and classified as property, plant and equipment with a corresponding increase to obligations under capital leases. Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property and the present value of those lease payments. Amortization will be recorded upon commencement of commercial operations or when the asset is put into use. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred.

l. Deferred revenues

Funds collected from retailers for lottery games – for which results are determined based on a draw, sold in advance of the game draw – are recorded as deferred revenue and recognized as revenue once the related draw occurs.

m. Asset retirement obligations

The Corporation records the fair value of an asset retirement obligation as a liability in the year in which it is incurred and can be reasonably estimated. This liability is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation also records a corresponding asset that is amortized over the life of the asset. The Corporation has recognized a discounted liability associated with obligations arising from provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. The adjustment to leasehold improvements in respect of asset retirement costs is amortized into income on a straight-line basis over the remaining life of the leases.

Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The resultant changes to the obligation that result from the passage of time are expensed in the period as accretion expense and any changes resulting from changes in the estimated future cash flows are capitalized to the cost of the leasehold improvements.

n. Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair values. When the Corporation enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but instead is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Absent any triggering factors during the year, the Corporation

conducts its goodwill impairment test in the fourth quarter of the year. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any. As at March 31, 2011 and March 31, 2010, no impairment in the carrying value of this asset existed.

o. Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Consolidated Statement of Income and Comprehensive Income items are translated at the rate of exchange in effect at the transaction date. Translation gains and losses are included in the Consolidated Statement of Income and Comprehensive Income in the period in which they arise.

p. Use of estimates

The preparation of consolidated financial statements requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Significant estimates are used in determining, but are not limited to, the valuation of markers receivable and loans receivable, the valuation of inventory, the useful lives of all depreciable assets, the recoverability of property, plant and equipment, goodwill, unclaimed prize liabilities, employee future benefit obligations, asset retirement obligations, the patrons' loyalty program provision, the amount due to Government of Canada and the outstanding chip, ticket and token liability. Actual results could differ from those estimates.

q. Financial instruments

All of the Corporation's financial instruments have been classified into one of the following categories: available-for-sale, held-to-maturity, held-for-trading, loans and receivables or other financial liabilities. All financial instruments, including derivatives, are recorded on the Consolidated Balance Sheet and are measured at fair value with the exception of held-to-maturity loans and receivables, and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in carrying value of financial instruments depend upon their initial classification.

The Corporation classified all cash and cash equivalents, restricted cash, cash and short-term investments held for First Nations as held-for-trading assets, which are measured at fair value and the subsequent changes in fair value are recognized in net income. Loans receivable and accounts receivables are classified as loans and receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, due to operators, due to Rama First Nation, due to Government of Canada, due to First Nations and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest method. The Corporation did not have available-for-sale or held-to-maturity assets or liabilities during the years ended March 31, 2011 and March 31, 2010.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in the Consolidated Statement of Income and Comprehensive Income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the hedged asset or liability is recognized in the Consolidated Statement of Income and Comprehensive Income. Any hedge ineffectiveness is recognized in net income immediately. The Corporation had no cash flow hedging instruments as at March 31, 2011 and March 31, 2010.

The Corporation provides disclosure of the three-level hierarchy that reflects the significance of the inputs in making the fair value measurements.

The Corporation records all transaction costs and loan fees that are directly attributable to the acquisition of financial assets (except those held-for-trading) and liabilities as a component of the related asset or liability and amortizes the costs using the effective interest rate method to interest expense over the life of the related asset or liability.

The Corporation uses derivative financial instruments to manage risks from market price fluctuations for energy. These instruments include forward pricing agreements. The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation discloses the significance of financial instruments on its financial position and performance, the nature and extent of risks arising from financial instruments to which the Corporation is exposed during the year and at the consolidated balance sheet date, and how the Corporation manages those risks, as disclosed in Note 9.

r. Capital disclosures

The Corporation discloses information that enables users of its consolidated financial statement to evaluate the Corporation's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for such non-compliance, as disclosed in Note 10.

s. Recent Canadian accounting pronouncements

i. International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian publicly accountable companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period.

The AcSB determined that government business enterprises will be required to adopt IFRS. IFRS will replace current Canadian GAAP for those enterprises. In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for government business enterprises for fiscal periods beginning on or after January 1, 2011. The Corporation will adopt IFRS on April 1, 2011 and the Corporation's first annual IFRS financial statements will be for the year ending March 31, 2012 and will include the comparative period of 2011.

2. Inventories

	2011	2010
Slot machine and table game parts	$ 7,200	$ 6,821
Lottery tickets and paper	5,306	16,870
Security and surveillance parts	1,206	1,487
Food and beverage	3,153	3,274
Retail	434	609
Other	3,306	2,797
	20,605	31,858
Less allowance	(2,251)	(2,163)
	$ 18,354	$ 29,695

Inventory costs, included in operating expenses, for the year ended March 31, 2011 were $98,208,000 (2010 - $102,489,000). During the year ended March 31, 2011, the Corporation recorded inventory write-downs in operating expenses of $218,000 (2010 - $119,000).

3. Restricted cash and reserves

Included in restricted cash are the amounts noted below, which are held in separate accounts.

	2011	2010
Reserves		
Capital renewals	**$ 26,967**	$ 29,728
Operating	**58,244**	58,466
Severance	**43,794**	41,431
	129,005	129,625
Less unrestricted capital renewals and operating	**(6,860)**	(5,013)
Funded reserves balance	**122,145**	124,612
Prize funds on deposit	**37,598**	49,391
Term loan proceeds	**28,645**	25,100
	$ 188,388	$ 199,103

The Corporation has established reserves at the Resort Casinos in accordance with their respective operating agreements, or other terms as otherwise agreed to, for the following purposes:

i) Capital renewals reserves – For property, plant and equipment additions, other than normal repairs, and to satisfy specified obligations in the event that cash flows will be insufficient to meet such obligations;

ii) Operating reserves – To satisfy specified obligations in the event that cash flows will be insufficient to meet such obligations; and

iii) Severance reserve – To satisfy certain obligations of the Corporation arising from the termination or layoff of employees of an operator in connection with the termination of an operator.

In fiscal 2011, the Corporation transferred cash of $75,000,000 (2010 – $53,000,000) to Caesars Windsor for its working capital requirements. The Corporation has committed to transferring additional amounts of up to $71,500,000 to Caesars Windsor in fiscal 2012. The Corporation and the operator of Caesars Windsor have agreed that both the operating and capital renewals reserves at Caesars Windsor, totalling $4,113,000 (2010 – $5,013,000), although contractually set aside for the above uses, are available to fund current operations given the continuing negative cash flows at Caesars Windsor.

Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding of $67,370,000 (2010 – $79,274,000) less an estimate for prizes not expected to be claimed by customers of $29,772,000 (2010 – $29,883,000).

Term loan proceeds represent restricted cash used for construction purposes at Caesars Windsor and for the renovation and expansion at Ajax Downs and Woodbine Racetrack.

4. Loans receivable

	2011	2010
Loans receivable	$ 25,718	$ $31,979
Less current portion of loans receivable	(5,685)	(6,121)
	$ 20,033	$ $25,858

The Corporation has loaned and is committed to loan funds to certain racetrack site holders for the purposes of renovating or constructing buildings to accommodate the Corporation's slot machine facilities. Security is provided by mortgages and general security agreements covering the racetrack site holders' assets. The loans bear interest based on the Royal Bank of Canada's prime rate and are repayable over periods ranging from one to fifteen years. The amounts will be repaid under an agreed upon formula by withholding from commissions that would otherwise be payable to the racetrack site holders.

During fiscal 2011, additional funds were advanced to a site holder for the development and expansion of its property. During the fiscal year, $477,000 (2010 - $2,034,000) was advanced to a site holder and has been included in loans receivable. The Corporation's maximum remaining commitment, as at March 31, 2011, is $3,988,000 (2010 - $4,466,000).

5. Cash and short-term investments held for First Nations

	2011	2010
Segregated bank account, beginning of year	$ 175,441	$ $159,490
Distributions to the segregated bank account during the year	8,207	23,397
Distributions from the segregated bank account during the year	(184,232)	(7,952)
Interest earned during the year	584	506
Segregated bank account, end of year	–	175,441
Distribution due to First Nations at March 31	8,673	16,255
	$ 8,673	$ $191,696

On June 9, 2000, the Corporation, the Ontario First Nations Limited Partnership (OFNLP) and the Province of Ontario entered into the Casino Rama Revenue Agreement which entitles the OFNLP to the net revenues, as defined, from the operation of Casino Rama. Under the Casino Rama Revenue Agreement, the Corporation is required to distribute the net revenues from the operation on a monthly basis.

The Casino Rama Revenue Agreement required that, commencing July 31, 2001, the Corporation retain 35 per cent of the net distributions from Casino Rama (the 35% Share) in a segregated bank account if the Corporation had not received a joint direction from the OFNLP and the Chippewas of Rama First Nation, also known as the Chippewas of Mnjikaning First Nation (Rama First Nation) with respect to a new revenue distribution formula. This matter was the subject of an action brought by Rama First Nation against the Province of Ontario (the 35% Action). Until the 35% Action was decided by the Courts or, alternatively, Rama First Nation and OFNLP reached an agreement on a new revenue distribution formula, the Corporation was required to retain these funds in the segregated bank account. During fiscal years 2008 to 2010, the Corporation released a total of $70,393,000 from the segregated bank account to OFNLP, pursuant to orders from the Superior Court of Justice of Ontario.

On July 8, 2010, the Supreme Court of Canada dismissed the 35% Action brought by Rama First Nation. Since the dismissal of the 35% Action, disputes have arisen between Rama First Nation and OFNLP concerning whether Rama First Nation is entitled to a formula share of the 35% Share (the Formula Share) on the same basis as all other First Nations in the Ontario Region (the Formula Share Claim Dispute). In addition, the Chiefs of Ontario and OFNLP provided the Corporation with a

copy of a resolution passed on July 21, 2010 and directed that the entire 35% Share be distributed to OFNLP. Subsequently, the Corporation applied for a court order permitting the Corporation to interplead the Formula Share into court (the Interpleader Application) pending the resolution of the Formula Share Claim Dispute.

On September 17, 2010, the undisputed portion of the 35% Share as agreed to by OFNLP and Rama First Nation, being $178,800,000, was released on consent of all interested parties to OFNLP, with OLG retaining the disputed portion. Between October 2010 and January 2011, on consent of the interested parties, OLG similarly released additional accumulated undisputed amounts to OFNLP, while retaining additional accumulated disputed amounts. On January 31, 2011, the total accumulated disputed Formula Share amount, being $5,432,000, was distributed from this account to OFNLP in connection with an agreement reached by the interested parties and the dismissal of the Interpleader Application, pending final disposition of the Formula Share Claim Dispute. OFNLP provided OLG with a direction to be held in escrow until the Formula Share Claim Dispute is finally resolved. This direction authorizes the payment by OLG of any award to Rama First Nation made in the Formula Share Claim Dispute directly (if Rama First Nation is ultimately successful in the Formula Share Claim Dispute) from future amounts that would be otherwise payable by OLG to OFNLP under the revenue sharing agreements (i.e. Casino Rama Revenue Agreement/Gaming Revenue Sharing and Financial Agreement).

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation and OFNLP, among others, entered into a Gaming Revenue Sharing and Financial Agreement (the GRSFA).

On January 26, 2010, the Corporation and Rama First Nation announced that they had entered into an agreement dated July 17, 2009 relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the Post-2011 Contract).

The key terms of the GRSFA and Post-2011 Contract are outlined in Note 7 (d) and 7 (e), respectively.

Pursuant to the terms of the GRSFA, OFNLP's entitlement to any share of the net revenues under the Casino Rama Revenue Agreement ceased as of April 1, 2011. Similarly, Rama First Nation's entitlement to any share of the net revenues under the Casino Rama Revenue Agreement shall cease as of August 1, 2011 pursuant to the terms of the Post-2011 Contract.

The payment related to the monthly distribution of the net revenues to OFNLP for March 2011 of $8,673,000 is included above as a current distribution due to First Nations.

6. Property, plant and equipment

			2011	2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 137,824	$ -	**$ 137,824**	$ 137,824
Buildings	1,943,392	347,330	**1,596,062**	1,606,138
Furniture and fixtures	671,170	529,434	**141,736**	141,965
Leasehold improvements	628,942	434,838	**194,104**	219,384
Lottery gaming assets	98,031	74,894	**23,137**	26,679
Casino and racetrack slot operation gaming assets	659,905	471,899	**188,006**	206,214
Assets under capital lease	48,287	3,863	**44,424**	47,615
Construction in progress and assets not in use	77,548	-	**77,548**	106,467
	$ 4,265,099	$ 1,862,258	**$ 2,402,841**	$ 2,492,286

Amortization for the year was $226,489,000 (2010 - $234,339,000). During the year, net interest of $379,000 (2010 - $836,000) was capitalized.

a. Impairment of long-lived assets

During 2011, management performed an impairment analysis on the asset groups at Caesars Windsor, one of the Corporation's Slots at Racetrack facilities, one of the Corporation's casinos and the Corporation's bingo operations as a result of triggering events described below.

Management performed an impairment analysis on the four asset groups as a result of triggering events, such as significant reduction in future projected cash flows, decrease in operating results and forecasted net operating losses. The Corporation conducted a Step I impairment test on the recoverability of the four asset groups by comparing the carrying value of the asset groups to the estimated undiscounted future cash flows. The Corporation determined that the expected future cash flows over the economic life of the principal assets were less than the carrying value of the long-lived assets, indicating that an impairment existed at two of the four asset groups: one of its Slots at Racetrack facilities and its bingo operations. Step II impairment testing was performed on these asset groups to determine the fair value of the long-lived assets and the Corporation recorded a total non-cash impairment charge of $5,408,000 to reduce the carrying value of the long-lived assets to their estimated fair value. The fair value of the long-lived assets was determined using a discounted cash flow methodology. The charge is included in general and administration expenses on the Consolidated Statement of Income and Comprehensive Income and under OLG Casinos and Slots and Lotteries and Bingo in Note 13 to the Consolidated Financial Statements for $1,480,000 and $3,928,000, respectively. For the other asset groups, one of the Corporation's casinos and Caesars Windsor, the Corporation determined that the expected future cash flows over the economic life of the principal assets were greater than the carrying value of the long-lived assets and no impairment existed at March 31, 2011.

b. Asset retirement obligations

For the year ended March 31, 2011, the Corporation recorded amortization expense of $54,000 (2010 - $48,000) in the Consolidated Statement of Income and Comprehensive Income. The Corporation recorded a liability of $1,553,000 (2010 - $1,535,000) for the estimated present value of the costs of retiring leasehold improvements at the maturity of the leases and recorded deferred asset retirement costs of $237,000 (2010 - $291,000).

The gross amount of the obligation is $1,610,000 (2010 - $1,610,000), which is expected to be paid out in one to fifteen years. The credit-adjusted, risk-free rate is 2.4 per cent (2010 - 2.4 per cent). The accretion expense for the year was $18,000 (2010 - $36,000).

7. Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a. The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These transactions include loan agreements with the Ontario Financing Authority, as described in Note 8.

b. Under the terms of the development and operating agreements for each of the Resort Casinos and the Great Blue Heron Slot Machine Facility, each operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements. The operators of the casinos are as follows: Casino Niagara and Fallsview - Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casino Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation; Casino Rama - CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of Penn National Gaming, Inc.; the Great Blue Heron Slot Machine Facility - Great Blue Heron Gaming Company, wholly owned by CAI Ontario Inc., Fantasy Gaming and Sonco Gaming; and Caesars Windsor - Windsor Casino Limited (WCL), which is owned

equally by Caesars Entertainment, Inc. and a wholly owned subsidiary of Hilton Hotels Corporation. As at March 31, 2011, the amount due to operators was $32,219,000 (2010 - $37,544,000).

The current development and operating agreement with CHC Casinos Canada Limited with respect to Casino Rama expires on July 31, 2011. The Corporation is currently undergoing a two-stage request for pre-qualification/request for proposals (RFPQ/RFP) procurement process to select a future operator for Casino Rama.

On January 22, 2010, the Corporation entered into a conditional operating agreement with Great Blue Heron Gaming Company, wholly owned by CAI Ontario Inc., Fantasy Gaming and Sonco Gaming. The agreement commences on the opening of the new casino facility, ends on the earlier of 20 years from the opening and June 28, 2031 and has operating terms substantially similar to those contained in the current development and operating agreement.

At each of the Resort Casinos, the operator is the employer of the employees working at that Resort Casino. All payroll and payroll-related costs are charged to the Corporation on a monthly basis and are expensed in the Corporation's Consolidated Statement of Income and Comprehensive Income.

c. Under the terms of the development and operating agreement for Casino Rama, Rama First Nation receives an annual fee, adjusted for inflation, relating to the provision of ongoing operating services. During the year, $5,867,000 (2010 - $5,815,000) was expensed. Other Rama First Nation charges amounting to $7,591,000 (2010 - $8,210,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a five-year lease renewal ending July 2011, for the rental of office space from a company related to Rama First Nation, $701,000 (2010 - $691,000) was expensed. Pursuant to the terms of the Post-2011 Contract (Note 7 (e)), a company related to Rama First Nation and the Corporation agreed to enter into a lease for the rental of office space for a term commencing on August 1, 2011 and terminating on July 31, 2014. Also, under the terms of an eight-year lease ending July 2011, an annual rental fee, adjusted for inflation, for warehouse space is paid to a company related to Rama First Nation. During the year, $355,000 was expensed (2010 - $350,000). Pursuant to the terms of the Post-2011 Contract, a company related to Rama First Nation and the Corporation agreed to enter into a lease for warehouse space for a term commencing on August 1, 2011 and terminating on March 13, 2021.

On April 30, 2002, an agreement was signed with Rama First Nation pursuant to which the Corporation and the Operator agreed to reimburse Rama First Nation for 75 per cent of the annual operating budget of the fire department, in exchange for fire protection services to the casino complex. This amount is included in other Rama First Nation charges noted above. This agreement expires on July 31, 2011. Pursuant to the terms of the Post-2011 Contract (Note 7 (e)), Rama First Nation and the Corporation agreed to extend and continue the term of this agreement for the duration of the Post-2011 Contract.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in Right of Canada under a 25-year lease, which expires in March 2021. Annual rent payable under this lease, adjusted for inflation, is paid out of the gross revenues of the Casino Rama complex to Rama First Nation in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. During the year, $4,583,000 (2010 - $4,514,000) was expensed.

The terms of various agreements provide for the designation and leasing of Additional Parking Lands, as defined, by Rama First Nation to Casino Rama with an annual rent payable of approximately $1,700,000, adjusted for inflation. While the designation and leases are not yet complete, the lands are permitted and currently in use at Casino Rama. During the year, $2,056,000 (2010 - $2,029,000) was expensed.

Under the terms of a Letter of Agreement entered into by the Corporation in January 2007 regarding the management and administration of leasehold improvement projects at Casino Rama, Rama First Nation contracts directly with the contractors selected by the Corporation. During the year, $128,000 (2010 - $19,000) was paid to Rama First Nation under this Letter of Agreement to pay contractors involved in the acquisition of leasehold improvements.

d. Under the terms of the Casino Rama Revenue Agreement dated June 9, 2000, OFNLP was entitled to the ongoing net revenues, as defined, of Casino Rama, as well as the proceeds from the disposition of the moveable assets, as defined, and remaining undistributed earnings upon the dissolution or windup of Casino Rama. OFNLP's entitlement to the ongoing net revenues ceased as of April 1, 2011 pursuant to the terms of the GRSFA.

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations (2008) Limited Partnership and OFNLP entered into the GRSFA. The key terms of the GRSFA, relevant to the Corporation, are as follows:

i) The Province of Ontario shall pay, or require the Corporation to pay, the OFNLP, commencing in fiscal year 2012 and in each fiscal year during the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the Gross Revenues of the Corporation, as defined. The Corporation is directed to make these payments pursuant to an Order-in-Council. These payments take the place of the net revenues that the OFNLP would otherwise have been entitled to under the Casino Rama Revenue Agreement as discussed in Note 5; and,

ii) The Chiefs of Ontario and the OFNLP shall, subject to acceptance by the Courts, discontinue the litigation related to the 20 per cent win contribution commenced in Ontario Superior Court of Justice (the 20% Action) and release Her Majesty the Queen in Right of Ontario and the Corporation.

In accordance with the terms of the GRSFA, the Chiefs of Ontario (COO) and OFNLP obtained an order granting them leave to discontinue the 20% Action in its entirety against Her Majesty the Queen in Right of Ontario and against the Corporation. The Chiefs of Ontario and OFNLP delivered and filed a Notice of Discontinuance dated February 25, 2008 discontinuing without costs the 20% Action in its entirety as against her Majesty the Queen in Right of Ontario and as against the Corporation.

e. Casino Rama is located on reserve lands of Rama First Nation under the authority of a 25-year sublease (expiring in March 2021) between the Corporation and Casino Rama Inc., a wholly owned subsidiary of Rama First Nation.

On January 26, 2010, the Corporation and Rama First Nation announced that they had entered into an agreement dated July 17, 2009 relating to the basis on which to continue to conduct the business of Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the Post-2011 Contract). The key terms of the Post-2011 Contract, relevant to the Corporation, are as follows:

i) The term of the Post-2011 Contract will commence August 1, 2011 and continue until July 31, 2031, subject to earlier termination or the exercise by the Corporation of two successive options to extend the Post-2011 Contract for successive extension periods of ten years and then five years;

ii) Rama First Nation shall be entitled to receive an annual fee (the Rama Fee) for each successive twelve-month period commencing August 1, 2011 in an amount equal to the greater of 1.9 per cent of the Gross Revenues of the Complex, as defined, and $5,500,000; and,

iii) The Corporation agrees to contribute $2,000,000 towards the capital cost of a gaming and executive development training centre upon presentation to and acceptance by the Corporation of a detailed Business Plan and Development Concept.

The Post-2011 Contract shall terminate on March 14, 2021 if Rama First Nation and the Rama Corporation do not replace the existing surrenders and permits with a new surrender, or establish a land management regime on or before December 31, 2015.

Pursuant to the Post-2011 Contract: (a) Rama First Nation, the Corporation and the Province agreed to consent to the dismissal without costs of an action related to the legal and beneficial ownership of all capital assets purchased for use in

the development and operation of Casino Rama and reimbursement of all retail sales tax paid or accrued in respect thereof (the RST Action) and to make best efforts to also obtain OFNLP's consent to such dismissal; (b) Rama First Nation and the Province agreed to consent to the dismissal without costs of certain claims against the Province based on an alleged delay in the construction of Casino Rama, and certain claims related to the payment of 20 per cent of Casino Rama revenues asserted in the 35% Action and to make best efforts to obtain the COO's and OFNLP's consents to such dismissal; and (c) Rama First Nation and the Province agreed to consent to the dismissal without costs of certain claims and cross-claims asserted by Rama First Nation against the Province in the 20% Action, and to use best efforts to obtain the consents to such dismissal from the COO and OFNLP.

In accordance with (a), above, the RST Action was dismissed without costs in June 2010. It is the Corporation's understanding that in accordance with (b) and (c), above, Rama First Nation and the Province are still using best efforts to obtain the consents to dismissal from the COO and OFNLP and that, as a result, such claims have not yet been dismissed.

f. Under the terms of the development and operating agreement, the Mississaugas of Scugog Island First Nation receive an amount equal to five per cent of the gross revenue of the Great Blue Heron Slot Machine Facility in consideration for provision of the lands used for the Slot Machine Facility. During the year, $3,755,000 (2010 - $4,188,000) was paid to the Mississaugas of Scugog Island First Nation.

g. Under the terms of the Niagara Falls Permanent Casino Operating Agreement, in a Competitive Environment, as defined, the operator is entitled to receive additional operator services fees and an Attractor fee. The Attractor fee is calculated, as defined, to allow for the amortization of the total capital contributions of the operator to external attractors, including an amphitheatre and a people mover, to a maximum contribution of $30,000,000. As at March 31, 2011, the operator's fees included an Attractor fee accrual of $5,057,000 (2010 - $5,244,000). The Corporation's remaining commitment as at March 31, 2011 is $17,646,000.

h. Under the terms of a trade-mark licence agreement for the rebranding of Caesars Windsor, the Corporation pays a licence fee calculated as a percentage of the revenue and operating results, as defined, of Caesars Windsor. The trade-mark licence agreement, with a wholly owned indirect subsidiary of Caesars Entertainment, Inc., will terminate on July 31, 2020 or on such earlier date as Caesars Entertainment, Inc. or its subsidiary ceases to be the operator of Caesars Windsor. During the year, the Corporation paid $959,000 in licensing fees (2010 - $nil).

8. Long-term debt

	2011	2010
Caesars Windsor loan (a)	**$ 125,318**	$ 169,607
Ajax Downs loan (b)	**14,697**	18,233
Woodbine loan (c)	**9,513**	-
Obligation under capital lease (d)	**46,062**	47,550
	195,590	235,390
Less current portion	**(55,885)**	(49,313)
	$ 139,705	$ 186,077

a. Caesars Windsor loan

In November 2008, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of Caesars Windsor and for financing the construction of the Windsor Clean Energy Centre (the Energy Centre). The Energy Centre was constructed to provide electricity, heating and cooling to the expanded Caesars Windsor facilities. The initial loan balance of $226,482,970 plus interest is repayable over five years. The loan bears interest at a rate of 3.2 per cent per annum and is unsecured.

b. Ajax Downs loan

In June 2009, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of the slots facility at Ajax Downs. The initial loan balance of $18,524,000 plus interest is repayable over five years. The loan bears interest at a rate of 2.4 per cent per annum and is unsecured.

c. Woodbine loan

In October 2010, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of the slots facility at Woodbine Racetrack (the Project). The loan agreement provides a non-revolving construction period loan facility to a maximum of $92,800,000 consisting of phase A and phase B of the Project of $35,445,000 and $57,355,000, respectively.

The interest charged during construction is determined based on the Province of Ontario's 90-day Treasury Bill rate plus 0.38 per cent.

Advances received for phase A during the year were $9,513,000 (including interest). Subsequent to March 31, 2011, additional advances amounting to $21,755,957 (including interest) were received. On May 9, 2011, the principal sum for phase A, $31,268,957, was converted to a five-year, unsecured term loan. The term loan bears interest at a rate of 2.931 per cent per annum.

An advance of $2,500,000 was also received for phase B subsequent to March 31, 2011.

d. Obligation under capital lease

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year lease term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenberg International Inc. (collectively, the Owners), to lease the facility which houses Casino Niagara and to license the adjacent parking facilities. The agreement extends the term of the original lease and licence agreements by an additional term of 15 years from March 10, 2010 to expire on March 9, 2025. This agreement is considered to be a capital lease for accounting purposes and has a calculated implicit interest rate of 8.2 per cent.

e. Payments over the next five years and thereafter

Payments related to long-term debt and obligation under capital lease that are expected to be made over the next five years and thereafter are approximately:

	Long-term debt	Obligation under capital lease		Total
	Repayments	Principal	Interest	
2012	$ 54,259	$ 1,626	$ 3,874	$ 59,759
2013	55,559	1,771	3,729	61,059
2014	36,145	1,928	3,572	41,645
2015	3,565	2,112	3,400	9,077
2016	-	2,496	3,204	5,700
Thereafter	-	36,129	15,843	51,972

The imputed interest portion of payments with respect to the obligation under capital lease made in fiscal 2011 was $4,012,000.

On March 25, 2008, the Province of Ontario introduced a bill which, if passed, would amend the *Ontario Lottery and Gaming Corporation Act, 1999*, to require the Corporation to finance certain of its capital expenditures with debt obtained from the Ontario Financing Authority. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures. Although the bill passed on May 9, 2011, it will come into force on a future date to be determined; however the Corporation has operated under the spirit of the proposed legislation since April 1, 2008.

9. Financial risk management and financial instruments

a. Overview

The Corporation has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing these risks.

b. Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations with the Corporation. The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of accounts receivable, loans receivable and liquid investments.

Accounts receivable include credit provided to retailers of lottery products, bingo service providers and patrons of Resort Casinos. Loans receivable consist of loans to racetrack site holders. The Corporation performs ongoing credit evaluations of retailers, bingo service providers, patrons and racetrack site holders and maintains reserves for potential credit losses on accounts receivable balances. The carrying amount of these financial assets represents the maximum credit exposure.

The amounts disclosed in the Consolidated Balance Sheet are net of allowances for doubtful accounts, which consist of a specific provision that relates to individually significant exposures, estimated by management based on prior experience and its assessment of the current economic environment. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses but historically has not experienced any significant losses. As at March 31, 2011, the Corporation had an allowance for doubtful accounts of $7,094,000 (2010 - $6,785,000), which represented approximately 7.0 per cent (2010 - 5.8 per cent) of the Corporation's consolidated accounts receivable and loans receivable. The Corporation believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Corporation limits its exposure to credit risk relative to liquid investments by investing only in short-term debt securities with high credit ratings and minimal market risk. The Corporation has a formal policy in place for short-term investments which provides direction for management to minimize risk. All investments held by the Corporation are low risk and have a term to maturity of less than 90 days, and as a result the risk is considered minimal.

c. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without jeopardizing the Corporation's revenue commitment to the Province of Ontario. The Corporation currently settles its financial obligations using cash provided by operations. As discussed in Note 3, the Corporation has established reserves at the Resort Casinos in accordance with their respective operating agreements, or other terms as otherwise agreed. In addition, all investments held by the Corporation are low risk and have a term to maturity of less than 90 days, further reducing liquidity risk.

The Corporation manages its liquidity risk by performing regular reviews of gross profit and cash flows from operations and continuously monitoring the forecast against future liquidity needs. Given the Corporation's unique line of business, which historically has generated positive cash flows, liquidity risk is not currently assessed as significant.

The contractual maturities of the financial liabilities are as follows:

	Carrying amount	Contractual cash flows	< 1 year	1 – 2 years	2 – 5 years	> 5 years
Accounts payable and accrued liabilities	$ 319,685	$ 319,685	$ 319,685	$ –	$ –	$ –
Due to operators	32,219	32,219	32,219	–	–	–
Due to Rama First Nation	1,422	1,422	1,422	–	–	–
Due to Government of Canada	16,054	16,054	16,054	–	–	–
Due to First Nations	8,673	8,673	8,673	–	–	–
Long-term debt, including obligation under capital lease	195,590	195,590	55,885	57,330	46,246	36,129

d. Market risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, foreign currency risk and other market price risk.

i. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation has financial assets and liabilities that potentially expose it to interest rate risk.

The Corporation is subject to interest rate risk on its cash and cash equivalents, including short-term investments with maturity dates of less than 90 days, loans receivable and long-term debt.

Loans receivable consist of loans to racetrack site holders and interest earned on these loans is tied to changes in the prime interest rate. The interest rate risk is limited to the interest earned on the assets and the underlying value of the asset is not at risk due to fluctuations in interest rates.

Long-term debt currently consists of three loan agreements entered into with the Ontario Financing Authority and an obligation under capital lease. The obligation under capital lease, as noted in Note 8 (d), and the term loan agreements have a fixed interest rate for the entire term and are therefore subject to limited interest rate risk.

The amount of cash and cash equivalents was $314,572,000 (2010 – $324,640,000) and the loans receivable was $25,718,000 (2010 – $31,979,000) as at March 31, 2011. The impact of fluctuations in interest rates on interest income from cash and cash equivalents and loans receivable is not significant and accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

ii. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to foreign currency risk by settling certain obligations in foreign currencies (primarily US dollars – USD) and by holding bank accounts and investments in USD.

The majority of the Corporation's suppliers and patrons are based in Canada and therefore transact in Canadian dollars (CAD). Some suppliers and patrons are based outside Canada. The suppliers located outside Canada typically transact in USD. The Corporation's border properties attract US players who are required to exchange their USD to CAD prior to play. The Corporation exchanges US currency using the daily market exchange rate and utilizes both a 'buy' and 'sell' rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with patrons, as well as for paying its U.S.-based suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. As a result, there is some exposure to foreign currency fluctuations and the Corporation's foreign exchange gain for the year ended March 31, 2011 was $8,435,000 (2010 – $9,986,000).

The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation's exposure to currency risk is as follows, based on carrying amounts:

	USD	
	2011	2010
Cash and cash equivalents	**$ 22,771**	$ 15,853
Accounts payable and accrued liabilities	**(4,811)**	(5,555)
Net exposure	**$ 17,960**	$ 10,298

All USD balances are shown in CAD equivalents.

Sensitivity analysis

A 10 per cent increase in the value of the USD at March 31, 2011 would have increased net income by $1,796,000 CAD (2010 - $1,030,000). A 10 percent decrease in the value of the USD at March 31, 2011 would have had the equal but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

iii. Other market price risk

The Corporation offers sports-based lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.OLG.ca, and by limiting the aggregate amount of prizes that may be won on any given day for all sports-based products. The Corporation also has the authority to suppress sales of any game at any time when liability risk is a concern.

iv. Fair values versus carrying amounts

The Corporation's financial instruments classified as held-for-trading are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation has determined the fair value of its financial instruments as follows:

The Corporation's financial instruments carried at fair value on the balance sheet - which consists of cash and cash equivalents, restricted cash and cash and short-term investments held for First Nations - are valued using quoted market prices, which is included in Level 1.

The carrying amounts in the Consolidated Balance Sheet of accounts payable and accrued liabilities, due to operators, due to Rama First Nation, due to Government of Canada and due to First Nations approximate fair values because of the short-term nature of these financial instruments or because they are receivable/payable on demand.

Loans receivable and accounts receivable are carried at amortized cost using the effective interest method. The carrying value of loans receivable approximates the fair value as the rates utilized in the effective interest calculations reflect market prime rates.

The fair value of the Corporation's long-term debt, excluding the obligation under capital lease, is not determinable given its related party nature, and there is no observable market for the Corporation's long-term debt. The fair value of obligation under capital lease is based on observable market data other than quoted prices.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

10. Capital risk management

The capital structure of the Corporation consists of cash and cash equivalents, long-term debt and equity, comprised of retained earnings, contributed surplus and reserves.

The Corporation's objectives in managing capital are to ensure sufficient resources are available for it to continue to fund future development and growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the Resort Casinos to establish reserve funds, as described in Note 3. The Corporation is not subject to any externally imposed capital requirements.

11. Commitments

a. Obligations under operating leases

The Corporation has entered into several operating leases for property and equipment. The future minimum lease payments are approximately:

2012	$ 13,660
2013	9,977
2014	8,946
2015	7,730
2016	7,259
	47,572
Thereafter	40,779
	$ 88,351

b. HST on lease commitments

The Corporation and the Resort Casinos have entered into several agreements to lease property, plant and equipment from the Corporation's subsidiary and other external parties. The non-recoverable harmonized sales tax (HST) and the additional imputed tax on the gaming-related assets payable to the Federal Government (with a provincial portion returned to the Province of Ontario), as described in Note 17 (b), on the future lease payments are approximately:

2012	$ 41,237
2013	36,906
2014	31,684
2015	24,762
2016	17,982
	152,571
Thereafter	276,474
	$ 429,045

c. Suppliers

The Corporation has computer hardware maintenance agreements with future payments of approximately:

2012	$ 16,948
2013	13,966
2014	9,492
2015	1,489
2016	1
	$ 41,896

d. Caesars Windsor

In connection with the terms of an agreement between Caesars Windsor and the City of Windsor, the Corporation agreed to provide the City of Windsor compensatory payments over 20 years with payments commencing May 1, 1998 of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

e. Niagara Fallsview Casino Resort

In connection with the terms of an agreement between Fallsview and the City of Niagara Falls, the Corporation agreed to provide the City of Niagara Falls compensation payments commencing December 7, 2000, included in operating expenses, of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and then $3,000,000 per annum thereafter, for as long as Fallsview does not cease operations, adjusted for Consumer Price Index as defined in the agreement.

f. Casino Rama

In connection with the terms of the Post-2011 Contract between the Corporation and Rama First Nation, as outlined in Note 7 (e), the Corporation agreed to pay Rama First Nation an annual fee, commencing August 1, 2011, in an amount equal to the greater of 1.9 per cent of the gross revenues of the Complex, as defined, and $5,500,000 in consideration of Rama First Nation authorizing the extension of the operation of the Complex on the reserve, carrying out its responsibilities as provided in the terms of the Post-2011 Contract and providing certain intellectual property rights for use relating to the Complex during the term of the Post-2011 Contract continuing until July 31, 2031.

g. OLG Casinos and Slots

The Corporation is committed to the establishment of an additional Slots at Racetrack operation at an estimated cost of $18,954,000.

In connection with the terms of an amending agreement and an assignment, consent and acknowledgement agreement between the Corporation and a Slots at Racetrack site holder, the Corporation agreed to provide the site holder with payments which commenced December 31, 2009 in the amount of $5,600,000 per annum for three years in lieu of a predetermined percentage of revenue from slots.

In connection with the terms of an amending agreement and an assignment, consent and acknowledgement agreement between the Corporation and a Slots at Racetrack site holder, the Corporation agreed to amend the horse racing industry payment during the five-year period commencing January 1, 2011 to a predetermined amount of $8,000,000 per annum in lieu of a predetermined percentage of revenue from slots.

h. Mississaugas of Scugog Island First Nation (MSIFN)

In fiscal 2010, the Corporation and the MSIFN entered into a conditional agreement to construct a new casino facility to replace the existing tent structure, on MSIFN reserve lands, at an estimated total cost of $165,000,000. On February 18, 2009, the Corporation's Board of Directors approved the expenditure of $83,800,000 as the Corporation's share of the project costs. The approval was conditional on MSIFN obtaining a commitment for financing for its portion of the project costs of $81,200,000. The agreements to construct and operate the new facility are subject to a number of precedent conditions that are required to be met by an agreed-upon date (currently, July 29, 2011).

12. Contingencies

a. In August 2004, Chippewas of Rama First Nation (the Plaintiff) issued a Statement of Claim against the Corporation, Ontario Gaming Assets Corporation, Her Majesty the Queen in Right of Ontario and CHC Casinos Canada Limited, as defendant parties. The Plaintiff alleged to be the legal and beneficial owner of all capital assets purchased for use in the development and operation of Casino Rama and required all amounts of retail sales tax that were paid or accrued in respect of purchases of capital assets be reimbursed. The Plaintiff claimed damages in the amount of $21,000,000 against the defendant parties, excluding CHC Casinos Canada Limited, and claimed that title to all capital assets purchased for use in the development and operation of Casino Rama be transferred to the Plaintiff. Under the Post-2011 Contract, Rama First Nation, Her Majesty the Queen in Right of Ontario and the Corporation agreed to resolve this action by consenting to its dismissal on a without costs basis. Both CHC Casinos Canada Limited and Ontario Gaming Assets Corporation have also agreed to provide their consents. The Post-2011 Contract also required Rama First Nation and the Province of Ontario to use best efforts to obtain OFNLP's consent to the dismissal of the action. All consents were obtained and an order dismissing the action on consent was issued on June 29, 2010. As a consequence of the foregoing, no amounts have been accrued in these consolidated financial statements.

b. The Corporation has signed six Bingo Centre Service Provider Agreements (the Service Providers) for Bingo Revitalization Project pilot site operations in Barrie, Peterborough, Kingston, Sudbury and two in Windsor, Ontario. The contracts provide that, in the event of notification of termination of the Bingo Revitalization Project pilot by the Corporation, or if the Service Providers and the Corporation mutually agree to not renew or extend the Agreements, the Corporation will be required to pay the Service Providers an amount not to exceed $4,998,000 in respect of the Service Providers' capital investments in the Bingo Centres. No events have taken place to indicate that the pilot sites will not continue, and as such, no amounts have been accrued in these consolidated financial statements.

c. On April 27, 2007, the Corporation and the Interprovincial Lottery Corporation were served with a Statement of Claim related to a class action for general damages of $1,000,000,000 and punitive damages of $100,000,000. The Statement of Claim alleges the Corporation was negligent in the operation and management of its lottery business and that it breached fiduciary and other duties. The action is at a very early stage, no class has been certified by the Courts, and the Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

d. On June 10, 2008, the Corporation was served with a Statement of Claim related to a class action for general damages and punitive damages totalling $3,500,000,000. The Statement of Claim alleges that the Corporation was negligent in its duty of care to prohibit self-excluded patrons from gaming at the Corporation's gaming sites. In a decision released on March 15, 2010, the Plaintiff's motion was dismissed and denied certification. Procedures related to this action are ongoing. On April 5, 2010, the Corporation filed a routine costs submission claim. By way of an endorsement dated May 21, 2010, no costs were awarded in OLG's favour due to the public interests involved in the case. On April 14, 2010, lawyers for the Plaintiff filed an appeal of the decision. The appeal was heard in Divisional Court from April 5 to 7, 2011. The Corporation will continue to defend itself through the appeals process. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

e. On May 20, 2009, the Corporation was served with a Statement of Claim related to a class action for general damages and punitive damages for an amount yet to be determined. The Statement of Claim alleges that the Corporation was in breach of contract by not discontinuing the sales of certain Instant lottery game tickets once the top prizes were won. The action is at a very early stage, no class has been certified by the Courts and the Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

f. On September 28, 2009, the Corporation was served with a Statement of Claim from Buttcon Construction Limited and Buttcon Energy Inc. (collectively Buttcon) related to the operation and ownership of the Windsor Energy Centre. The claim was for general damages and punitive or exemplary damages totalling $357,000,000 against the Corporation, its then CEO and Senior VP Gaming, plus pre-judgment interest and costs. Buttcon alleges, among other things, breach of contract, breach of duty of good faith, deceit, misrepresentation, unlawful interference with legitimate business expectancy, loss of opportunity and damage to business reputation. On November 10, 2009, the Corporation served and filed its Statement of Defence and Counterclaim in which the Corporation denies the allegations in the Statement of Claim and counterclaims for damages in the amount of $56,000,000 for breach of the operation and maintenance, improper management of the construction project, neglect and failure to return the Corporation's property. The claim is currently in the discovery phase and the Corporation intends to vigorously defend itself. The outcome is undeterminable as at March 31, 2011 and no amounts have been accrued in these consolidated financial statements.

g. The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on its consolidated financial statements. Estimates, where appropriate, have been included in these consolidated financial statements; however additional settlements, if any, concerning these contingencies will be accounted for as a charge to the Consolidated Statement of Income and Comprehensive Income in the period in which the settlement occurs.

13. Segmented information

The Corporation's reportable operating segments are distinct revenue generating business units that offer different products and services. The Corporation has three reportable operating segments: lotteries and bingo, Resort Casinos, and OLG Casinos and Slots. Lotteries and bingo derives its revenue from the sale of lottery and bingo products, which comprises online, instant and sports products. Resort Casinos are full-service casinos which offer patrons a variety of amenities including accommodations, entertainment and food and beverage services, in addition to slot and table games. The OLG Casinos and Slots are scaled-down gaming facilities. The Casinos offer slot and table games, as well as food and beverage services. The Slots at Racetracks are located at racetrack sites and include only slot games; however, some locations offer food and beverage services.

2011	Lotteries and Bingo	Resort Casinos	OLG Casinos and Slots	Total
Revenues				
Lotteries and bingo	$ 3,320,994	$ -	$ -	$ 3,320,994
Slots	-	907,853	2,056,651	2,964,504
Tables	-	387,143	51,693	438,836
Non-gaming	-	261,214	35,443	296,657
	3,320,994	1,556,210	2,143,787	7,020,991
Less promotional allowances	-	255,902	79,289	335,191
	3,320,994	**1,300,308**	**2,064,498**	**6,685,800**
Operating expenses				
Non-gaming	-	232,293	36,776	269,069
Gaming and lottery operations	118,213	269,613	282,276	670,102
Lottery and bingo prizes	1,835,865	-	-	1,835,865
Commissions	234,527	-	413,185	647,712
Marketing and promotion	59,446	146,031	95,175	300,652
Operators' fees (Note 7 (b))	-	60,962	3,934	64,896
Amortization	15,532	125,221	85,736	226,489
General and administration (Note 15)	56,885	102,721	75,489	235,095
Facilities	9,022	134,841	80,520	224,383
Win contribution (Note 16)	-	259,110	14,959	274,069
Payments to Government of Canada (Note 17)	83,028	77,306	67,264	227,598
	2,412,518	**1,408,098**	**1,155,314**	**4,975,930**
Income (loss) before the undernoted	**908,476**	**(107,790)**	**909,184**	**1,709,870**
Interest and other income	1,839	16,256	14,088	32,183
Interest on long-term debt	(2,441)	(8,311)	(405)	(11,157)
Foreign exchange gain	12	6,931	1,492	8,435
	(590)	**14,876**	**15,175**	**29,461**
Net income (loss)	**$ 907,886**	**$ (92,914)**	**$ 924,359**	**$ 1,739,331**

2010	Lotteries and Bingo	Resort Casinos	OLG Casinos and Slots	Total
Revenues				
Lotteries and bingo	$ 2,890,258	$ -	$ -	$ 2,890,258
Slots	-	961,975	2,023,047	2,985,022
Tables	-	396,272	52,918	449,190
Non-gaming	-	259,892	31,125	291,017
	2,890,258	1,618,139	2,107,090	6,615,487
Less promotional allowances	-	272,050	71,543	343,593
	2,890,258	**1,346,089**	**2,035,547**	**6,271,894**
Operating expenses				
Non-gaming	-	247,852	34,464	282,316
Gaming and lottery operations	112,424	274,056	283,691	670,171
Lottery and bingo prizes	1,589,463	-	-	1,589,463
Commissions	204,340	-	410,289	614,629
Marketing and promotion	62,808	146,019	87,498	296,325
Operators' fees (Note 7 (b))	-	62,722	4,546	67,268
Amortization	16,190	133,064	85,085	234,339
General and administration (Note 15)	47,764	100,642	70,186	218,592
Facilities	8,418	145,845	82,213	236,476
Win contribution (Note 16)	-	271,753	16,729	288,482
Payments to Government of Canada (Note 17)	51,934	39,015	25,520	116,469
	2,093,341	**1,420,968**	**1,100,221**	**4,614,530**
Income (loss) before the undernoted	**796,917**	**(74,879)**	**935,326**	**1,657,364**
Interest and other income	4,229	28,265	26,118	58,612
Interest on long-term debt	-	(7,146)	(72)	(7,218)
Foreign exchange gain	2	7,929	2,055	9,986
	4,231	**29,048**	**28,101**	**61,380**
Net income (loss)	**$ 801,148**	**$ (45,831)**	**$ 963,427**	**$ 1,718,744**

Capital expenditures	Lotteries and Bingo	Resort Casinos	OLG Casinos and Slots	Total
2011	$ 8,394	$ 57,411	$ 87,717	$ 153,522
2010	21,713	60,771	104,844	187,328

14. Post-employment benefits

The Corporation provides pension benefits for all its permanent employees and to non-permanent employees who elect to participate through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees Union Pension Fund (OPSEU Pension Fund), which are sole-sponsored defined benefit pension plans established by the Province of Ontario. The Province controls all entities included in the PSPF and OPSEU Pension Plans. Therefore the Corporation accounts for these plans as defined benefit plans that share risks between various entities under common control. There is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the Corporation and as such the Corporation records these post-employment benefits as defined contribution plans and has recorded no additional liability for the plan deficit. The annual contributions made by the Corporation are recorded as an expense in the Consolidated Statement of Income and Comprehensive Income. The Corporation's contribution and pension expense during the year was $20,624,000 (2010 - $20,172,000).

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility have created defined contribution pension plans for their employees. The pension expense for the year amounted to $20,491,000 (2010 - $20,703,000).

15. Future benefit costs

As a Schedule 2 employer under the *Workplace Safety and Insurance Act, 1997* (the Act), the Corporation is individually responsible for the full cost of accident claims filed by its workers. The Workplace Safety and Insurance Board (WSIB) maintains full authority over the claims entitlement process and administers and processes claims payments on the Corporation's behalf. CICA Handbook Section 3461, Employee Future Benefits, requires that WSIB liabilities for self-insured employers be reported in the financial statements.

In fiscal 2011, the cost of claims payments was $3,675,000 (2010 - $3,874,000) and is included in General and Administration expenses in the Consolidated Statement of Income and Comprehensive Income. The accrued future benefit costs as at March 31, 2011 is $23,354,000 (2010 - $20,320,000) of which $2,102,000 (2010 - $1,626,000) is classified as a current liability. The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers.

16. Win contribution

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*. In fiscal 2011, the win contribution payments were $274,069,000 (2010 - $288,482,000).

17. Payments to Government of Canada

The Corporation made the following payments to the Government of Canada during the fiscal year:

	2011	2010
Payments on behalf of the Province of Ontario (a)	**$ 25,966**	$ 25,452
Goods and Services Tax / Harmonized Sales Tax (b)	**201,632**	91,017
	$ 227,598	$ 116,469

As at March 31, 2011, the amount due to Government of Canada was $16,054,000 (2010 - $7,421,000).

a. Payments on behalf of the Province of Ontario

The provincial lottery corporations make payments to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

b. Goods and Services Tax / Harmonized Sales Tax (GST/HST)

As a prescribed registrant, the Corporation makes GST/HST remittances to the Federal Government pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities.

Effective July 1, 2010, the Province of Ontario combined its provincial sales tax (PST) with the Federal Government's GST by creating a single, harmonized sales tax (HST) with a 13 per cent rate (five per cent federal component plus eight per cent provincial component). The net tax attributable to non-gaming activities is calculated similar to any other GST/HST registrant in Canada. The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Federal Government on gaming-related expenses are recognized as an expense in the financial statements as 'Payments to Government'.

The net tax attributable to gaming activities results in a 10 per cent tax burden on most taxable gaming expenditures incurred by the Corporation for the period up to June 30, 2010 and 26 per cent thereafter following the implementation of HST tax legislation in Ontario.

18. Comparative amounts

Certain prior year amounts have been reclassified to conform to current year consolidated financial statement presentation.

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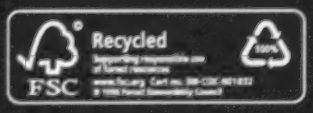

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